

**ROLE OF GOVERNMENT IN PROMOTING
COOPERATIVE MOVEMENT IN ASIA**

J.M. RANA

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I : CONCEPT OF COOPERATION

INTRODUCTION

First of all, I would like to express my sincere thanks to the United Nations Vienna International Centre for asking me to prepare a paper on the important subject of the "Role of Government in Promoting Cooperative Movement in Asia". I am happy at the opportunity of interacting with participants of the seminar who are occupying leading positions in the Governments and the Cooperative Movements of developing countries of various regions of the world. Secondly I would like to state that the subject of government's role vis-a-vis the Cooperative Movement is a complex one and there are no straightforward answers to many of the difficult and ticklish questions that come up (a) in formulating and defining government's proper role, and (b) much more in implementing it after such a role has been defined. The subject is full of misconceptions and bristles with a great deal of controversy or rather controversies.

SCOPE AND LIMITATIONS

It is essential to define the concept of Cooperation and to have clarity and agreement regarding the basic ideology and principles

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*This paper was originally presented to the U.N. Seminar on "Role of Government in Promoting the Cooperative Movement" held in Moscow, USSR, from 18th to 31st May 1987. The author was invited by the U.N. Vienna International Centre to serve as Resource Person at the Seminar.

of cooperative organisations. This is necessary as it is "cooperatives" which governments are trying to promote and it is through the "Cooperative organisations" that governments seek to achieve certain goals of national development. The first section of this paper will, therefore, deal with the concept of cooperation. A historical perspective of Cooperative Movement will also be given in order to understand the true nature and evolution of the Cooperative Movement. Such historical background is necessary because the present and the future are conditioned to a considerable extent by past history. In the second section, we will deal with the contribution that the cooperatives can make to national development, a matter of great concern to governments in developing countries. In the third section, we will deal with the specific forms and methods through which governments can play an effective role in promoting and developing cooperative movements. Cooperative policy, cooperative legislation, institutional framework and assistance programmes will be some of the topics considered in this regard. We will also deal with the role which the cooperatives and their own federal bodies can play in promoting and building a sound and dynamic Cooperative Movement.

LIMITATIONS

First, the subject with which we are dealing with is large and complex and it is not possible to deal with it fully in the short space of this paper. An attempt will be made to touch upon only some of the most important aspects. Secondly, the Asian Region with which this paper deals is a wide region. Political, social and economic conditions vary a great deal as between various countries in the region. The stage and status of cooperative development also varies significantly from one country to another. Hence, while an attempt would be made to present some general observations and remarks, there would be valid deviations. Thirdly, my remarks in the paper would be based upon my knowledge and experience of the countries which the ICA Regional Office for Asia serves. These countries are: Australia, Bangladesh, China, India, Indonesia, Japan, Republic of Korea, Democratic Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka and Thailand. Member organisations from China and Democratic Republic of Korea have recently jointed the Alliance and I do not yet have much knowledge about the Cooperative Movements of these two countries .

NATURE OF THE COOPERATIVE MOVEMENT

I would like to offer a definition of a cooperative organisation as follows, based on my extensive study of cooperative literature:

A Cooperative is a voluntary and autonomous association of persons, or of societies, functioning in conformity with the Cooperative principles, for the economic and social betterment of its members by means of one or more common undertakings, based upon mutual aid, democratic management and non-profit operation.

The ILO General Conference, 1966, Recommendation 127 suggests the following definition of a cooperative as bringing out its essential characteristics.

“An association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate”.

The essential features of a cooperative society and the Cooperative Movement may be described as follows:

- i. A cooperative society is a form of business organisation which is established by the members on a basis of equality to promote their common economic and social interests.
- ii. The main motivating force behind a cooperative organisation is the spirit of self-help and mutual help.
- iii. The cooperative society is a non-profit organisation and it aims to provide goods and services to members at costs which are as low as are compatible with the long-term development of the society.
- iv. The management of a cooperative is carried out by a Board of Directors elected by the members who together in a general assembly exercise ultimate control over the operations of the society.

Cooperatives of individual members are called 'primary cooperatives'. These primary cooperatives join themselves into a federation which performs commonly required functions involving operations and resources which are needed on a scale larger than that of the primary societies. The federations may be established at an appropriate level, namely, country, district, provincial or national, depending upon the stage of the Cooperative Movement and the competitive environment. Thus the federal structure of the Cooperative Movement, while enabling the small primaries to function independently, achieves for the constituent primaries and their members, significant financial, managerial and technological advantages. Also, on account of integration of the Cooperative Movement, both horizontal and vertical, it is able to achieve significant competitive capacity for the small man, viz. the farmer, the fishermen and the consumer.

It may be pertinent at this stage to indicate the meaning of the term 'Cooperative Movement' used in the title of this paper. The concept of the Cooperative Movement implies a well-knit cooperative structure binding the individual members into primary societies which are then closely integrated into the secondary cooperatives at the district/regional levels and apex cooperative organisations at the national levels. The term 'International Cooperative Movement' implies an extension of this concept to an international level, manifesting itself into organisations, such as the International Cooperative Alliance. It may be pointed out that the word 'Movement' connotes belief in a shared ideology through which members aspire to achieve commonly accepted goals. The Principles of Cooperation, accepted by the members of the ICA spread in 74 countries of different parts of the world, represent this cooperative ideology, viz. the commonly shared goals, beliefs and values, and methods of work.

The main aims of the Cooperative Movement could be broadly categorised as follows:

- i. Promotion of economic interests of those sections of society who are individually unable to make significant economic progress;
- ii. Social and cultural advancement of the members and even of the community as a whole (Emphasis on educational, cultural activities, community programmes and development of cooperative press);

- iii. Strengthening the democratic and more rational forces in the community through the specific ways in which a cooperative society operates. (Emphasis on discussion and parliamentary procedures, developing capacities for taking initiative by members, etc.); and
- iv. Acting as a countervailing influence on the economic and social excesses operating in developing countries. (Reducing economic inequalities, building social cohesion amongst members, opposition to exploitation by money-lenders-cum-traders, etc.)

The origin of Cooperative Movement goes back to the small beginnings of the Rochdale Society in 1844 in U.K. and to the Rural Cooperative Societies pioneered around the same period by Friedrich Wilhelm Raiffeisen in Germany. Cooperative Movements all over the globe have been influenced by the thinking and achievements of these pioneers.

The cooperative way of doing business has taken many forms in Asia—from multipurpose societies to highly specialised coops. The main forms of cooperatives in the rural areas in South-East Asia include multipurpose cooperatives or specialised agricultural credit cooperatives. Since the last World War, agricultural marketing and processing activities are being increasingly developed on a cooperative basis. In urban areas, the main forms of cooperatives are the thrift and credit societies, consumer cooperative societies, cooperative housing societies, and in some cases cooperative insurance societies. Fishery cooperatives and industrial cooperatives for artisans have also been formed in many parts of the Region.

PRINCIPLES OF COOPERATION

The cooperative organisations and the Cooperative Movement can be best understood with reference to the Principles of Cooperation accepted by the International Cooperative Alliance (ICA) and its member organisations in 74 countries of the world.

Early in 19th century, the British Cooperative Movement published a set of principles which came to be known as "Rochdale Principles". These principles were examined by a committee of

the ICA from 1931 to 1934, and the ICA Congress in 1937 defined seven cooperative Principles. During the post-war period, a number of developments had taken place and the cooperative movements from the socialist countries and from the developing countries had joined the alliance in increasing numbers. The Alliance, therefore, appointed a Commission on Cooperative Principles to re-examine the Cooperative Principles in the context of the changing conditions and contemporary developments. The Commission comprised five members from the Movements of the industrialised West, socialist countries and the developing countries. After wide ranging consultations and study, the commission submitted its report to the ICA Congress in 1966 which unanimously accepted six principles. These principles of Cooperation are as follows:

1. Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decisions of the members as follows:

- (a) By provision for development of the business of the cooperative;
- (b) By provision of common services; and

(c) By distribution among the members in proportion to their transactions with the society.

5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.

6. All cooperative organisations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.

As mentioned earlier, there are important differences among cooperatives in the (a) cooperatives in the industrialised west, (b) cooperatives in the socialist countries, and (c) cooperatives in the developing countries. However, there is a basic identity amongst them even though they operate in different political, social and cultural milieus. The common identity and concept of cooperation can only be understood with reference to the above six Cooperative Principles which are accepted by all Cooperative Movements affiliated to the ICA. Dr. A.F. Laidlaw in his report "Cooperatives in the Year 2000 AD" presented by him at the ICA Congress held in Moscow in 1980 sums up in a nutshell this concept as follows:

The overriding concept present in all cooperatives is this : "a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is at once socially desirable and beneficial to all taking part".

It is my submission that governments as well as other agencies, national and international, who seek to promote the Cooperative Movement should, first of all, accept the correct nature of the Cooperative Movement. This implies that the national cooperative development policy should be based on a recognition of the Cooperative Principles and the policy should clearly specify that the Cooperative Development envisaged will be based on cooperative principles and the voluntary and autonomous character of the Cooperative Movement. Secondly, cooperative law of the country should also incorporate the above concept and the essential characteristics of cooperatives. Thirdly, government cooperative development programmes should be based on enlisting peoples' participation, and the active collaboration of voluntary

leaders as well as the non-governmental organisations at all stages viz. formulation, implementation, review, monitoring and evaluation. Fourthly, the administrative apparatus, Institutional mechanisms and assistance programmes devised should be such as would achieve the developmental goals outlined in the Cooperative Development Policy. Finally implementation, which is of utmost importance; a correctly formulated policy should be fully and effectively implemented.

HISTORICAL PERSPECTIVE OF GOVERNMENT ROLE

As mentioned earlier, the Cooperative Movement originated in the 19th century to counteract problems faced by the industrial workers, farmers and other persons of small means arising from industrial development on capitalist lines. The dominant economic and political philosophy of the time was *laissez faire*. The role of the State was maintenance of law and order, the protection of the people from external aggression and the performance of the minimum number of most essential functions. The State in those days believed in a free economy. However, as certain undesirable consequences of free market economy and unbridled capitalism came to the fore, the policy of "*laissez faire*" changed to that of a "welfare state". The State then considered it necessary to regulate market forces and take certain definitive steps in the interest of equity and social justice. As the concept of welfare state gained ground, the State began to undertake functions like educational and health, development of roads and railways, and even social security in modern times. The socialist philosophy and the emergence of the socialist states also influenced thinking of many a government, particularly in the developing countries, in broadening the functions of the State in regard to economic planning and national development. It was regarded as an important function of the State to make a significant contribution to economic development and to the improvement of the social and economic conditions of the population in the newly liberated countries.

In the developing countries of Asia, the Cooperative Movement was introduced by the government. In the early years of the 20th century, Cooperative Movement was introduced in Japan and in India. In Japan, the government accepted the policy of establishing and assisting agricultural cooperatives when the

country was at the threshold of capitalist development. At that stage, farmers were suffering from great hardships as the prices of agricultural products were kept lower in comparison to industrial products and as one-third of cultivated lands were in the hands of landlords and financiers. The government introduced cooperatives with a view to improve the conditions of the farmers against this background. In India, it was the British colonial government which first introduced cooperative credit societies through an enactment of special cooperative legislation in 1904. The subsequent Cooperative Societies Act of 1912 allowed formation of non-credit societies and secondary societies. Cooperative legislation and policy of sponsoring cooperative organisations was adopted by the government with a view to curbing usury and to ameliorating the conditions of small man through self-help and mutual help. A Cooperative Department with Registrar of Cooperative Societies as its Head was established to register, supervise and guide cooperative societies. Some financial assistance to a limited extent was also made available. Subsequently in India, Cooperation was made a provincial subject and each province had the right to enact its own legislation. The erstwhile Bombay State enacted a law called the Bombay State Cooperative Societies Act, 1925. The Indian example and especially the Cooperative Societies Act of 1925 was utilised by governments in many developing countries to enact special cooperative legislation and in formulating programmes of cooperative development. An active role of state initiation and state sponsorship of the Cooperative Movement was visualised on account of poverty, mass illiteracy and the absence of leadership in the developing countries.

During the post-war period, a number of countries in Asia achieved independence one by one. Governments in all these newly independent countries were greatly concerned in bringing about economic uplift of its population. Some of the countries such as India formulated Five-Year Plans from the early 50's to secure speedy economic development and assigned an important role to the Cooperative Movement in the national plans. A thorough study of the agricultural credit and the Agricultural Cooperative Movement was made by the Rural Credit Survey Committee which submitted its report in 1954. The Committee came out with far-reaching recommendations in regard to providing support to the Cooperative Movement with a view to accelerating its development.

II : CONTRIBUTION OF COOPERATIVES TO NATIONAL DEVELOPMENT

ROLE OF COOPERATIVES IN NATIONAL DEVELOPMENT

We will outline below the contribution that cooperatives can make to national development. Views of Cooperative Movements as well as governments in this regard are described. It would be obvious from a perusal of these views that there is an identity of opinion among cooperative leaders and policy-makers in governments that cooperatives can make a significant contribution to improving the social and economic conditions of people through the instrumentality of cooperatives which can mobilise peoples' participation in national development programmes.

MOVEMENT'S VIEWPOINT

Based on a special study commissioned by it, the ICA formulated its Cooperative Development Policy in 1982 on the basis of the discussions at the ICA Congress in 1980 and its Central Committee in 1982. The Policy for Cooperative Development up to the year 2000 A.D. provides well-considered guidelines on the contribution of the Cooperative Movement to development efforts.

The basic objective of the ICA Policy on Cooperative Development is the establishment and growth of independent democratic and viable cooperative organisations, in which men and women participate on equal terms. These organisations must be capable of serving their members efficiently and contributing to economic growth and social equity in their respective communities and/or countries.

The policy then proceeds to specify the areas in which cooperatives can make important contributions to the development process in the Third World :

(i) Food and Nutrition

Special emphasis in economic development in the Third World must be given to increased food production in combination with more efficient systems of food distribution and improved knowledge of food processing and utilisation.

There is ample evidence that land reform, supplemented with other means, can substantially increase productivity. In total, 600 million people in the rural areas of the developing world lack access to the land. As productivity in small labour-intensive farms is usually considerably higher than in the large estates, redistribution of land would be an effective means of increasing food production especially if combined with agricultural cooperatives, fishery cooperatives, productive and workers cooperatives, supported by saving and credit institutions. Development of the fishing industry is of great importance for the supply of food.

(ii) **Urbanisation and the Cooperative Movement**

It is estimated that by the year 2000, more than half of the population in the Third World will live in urban communities. Due to the fact that migration from rural areas is added to the natural population increase, the growth of the cities is very rapid. The production of dwellings, water and sewage systems, as well as the installation of transport facilities, schools, retail stores, etc...do not keep up with escalating needs. Consequently a great and growing majority of the population will have to live in slums and shanty-towns.

Slum improvement is one of the urgent policy areas in developing countries. This is a field where "help to self-help" is especially important and where there is a large scope for cooperative activities, not least in the fields of consumer, credit and housing cooperation.

(iii) **Employment and Industry**

Cooperative organisation, particularly in small and medium scale industrial enterprises offers a viable alternative to other forms of industrial organisation. It is particularly appropriate to the application of labour intensive productive techniques. Therefore, it is important to promote industrial producers' cooperatives, both in rural and urban areas. Industrial cooperatives in urban areas can offer income-generating opportunities for both men and women. Such cooperatives in rural areas can contribute to the provision of industrial products and at the same time reduce the migration into the cities.

(iv) **Savings, Credit and Insurance**

Development is not only a question of mobilising human resources. It is also necessary to mobilise capital and to ensure a minimum degree of security against the risks of life. It is true that in many developing countries the State provides a certain amount of capital to cooperatives in the form of grants and loans. Other sources of credit should also be identified. However, if a cooperative organisation is to stand on its own feet and attain the necessary self-reliance, it has to raise a considerable part of the capital required from among its own members.

Savings and credit cooperative societies, which have played and will continue to play an important role especially in strengthening the economic security of their members, at the same time provide capital for cooperative investment. Cooperative banks can make decisive contributions to the establishment and expansion of cooperative organisations in a financially sound way. The same is true of cooperative insurance societies.

(v) **Other types of Cooperatives**

There is a great number of other cooperative organisations, for instance in the fields of handicrafts, processing, health and welfare services. Well managed they all satisfy important needs of the members and of the community.

In this context it is essential to mention the innumerable associations which are voluntary, democratic, self-help organisations formed in order to satisfy specific needs of their members, but which do not meet all the requirements for registration as Cooperative Movement. It may be a group which digs a well, acquires a handpump and elects a person to be responsible for the maintenance of the pump. Such "pre-cooperatives" have been organised in great numbers by people—often among the poorest groups of the population—who join hands in solving common problems, be it in urban slums (e.g. sewage disposal) or in rural areas (irrigation, transport). These self-help groups are natural allies of the Cooperative Movement. There should be good opportunities for many of them to develop into formal

cooperative organisations, given access to the necessary guidance and training. In all circumstances, however, the future will call for a great variety of cooperatives of all sizes as well as of pre-cooperatives.

PRIORITIES FOR SECURING COOPERATIVE DEVELOPMENT

The ICA policy document next proceeds to outline the priority areas to which attention must be given in order to achieve sound and lasting cooperative development. These priorities are listed below :

(a) Development towards self-reliance

In most developing countries, governments pursue an active policy for the promotion of cooperative organisations in the frame of their own development plans. Their objectives are the growth of self-reliant Cooperative Movements. In order to achieve this goal weaning procedures should be designed which are acceptable to all parties. They should be in the form of time-bound plans for the transfer of functions—i.e. related to education and training—form State institutions to the Movement. Such procedure shall be promoted and supported by ICA as a matter of high priority.

(b) Democracy

A cooperative organisation can retain its character only if it is owned and controlled by its members in a truly democratic way. This presupposes not only effective democratic organisation but also—and no less indispensable—an enlightened membership. One of the high priorities for ICA shall be to encourage and assist member organisations in their endeavours to organise an effective and committing member education. Its resources have been very limited, but measures have been taken to increase the capacity in order to better meet the needs of member organisations. In educational activities stress should be laid on the involvement of women—largely an untapped resource in cooperative democracy.

(c) Involvement of Women

In a true cooperative democracy men and women participate

on equal terms. ICA shall assist in the attainment of this objective by influencing public opinion and by supporting programmes that aim at raising the status of women, e.g. by means of literacy campaigns, nutrition education, income generating projects for women, developing of thrift and loan societies. In all these fields cooperation has proved to be an effective instrument of change.

(d) Education and Training

It has been both the faith and the experience of cooperators that education and training is necessary for healthy cooperative development. Cooperative education is a basic principle of cooperative action and it is essential that education and training programmes should continue to be accorded the highest priority and adequate provision for this should be included in all development projects. In particular, education and training programmes for members as well as committee and board members at field level are vital for good cooperative performance. Without this, the desired level and quality of popular participation in the control of independent cooperatives cannot be expected.

(e) Professional Management

Another matter of high priority is staff training. Too often, and not only in developing countries, cooperatives fail because of bad management. Cooperative organisations can grow and improve their services only through the professionalisation of management. Therefore, an efficient system of cooperative staff training is a vital necessity.

(f) Promotion of effective personnel policy

In order to retain skilled staff, cooperative organisations must establish comprehensive personnel policies, including adequate recruitment and training, competitive salary systems, job security and career possibilities.

(g) Promotion of national and apex organisations

The promotion of national and apex organisations is an

important part of the development of an autonomous Cooperative Movement. The main burden of promoting the establishment and growth of local cooperative societies will be carried by these unions or federations.

(h) **Research**

It is necessary that due attention is given to the examination of needs for technical assistance, project identification, feasibility studies, monitoring and evaluation of cooperative development programmes. These elements should be included in all ICA supported projects, including seminars and conferences. ICA should, moreover, take an active part in the search for innovative models of development programmes.

GOVERNMENT VIEW POINTS

In India, Indonesia, Republic of Korea and the Philippines, promotion of cooperatives has been mentioned in the respective Constitutions of these countries.

Governments of the developing countries of Asia have looked upon Cooperative Movement as important instruments of planned economic development and have assigned them important place in their national development policies and plans. For example, such a policy has been succinctly stated in the Third Five-Year Plan of India and has been basically outlined in succeeding Plan periods. This policy is quoted at some length below, as it would show how close are the views of the leaders of the Movements and national governments. Cooperative development policies on somewhat similar lines are spelt out in other countries of Asia as well, although the scope for cooperative activity and the priority given in national development plans vary a great deal.

INDIA

In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and

construction, and the provision of essential amenities for local communities. Even in medium and large industries and in transport, an increasing range of activities can be undertaken on cooperative lines. The socialist pattern of society implies the creation of large numbers of decentralised units in agriculture, industry and the services. Cooperation has the merit of combining freedom and opportunity for the small man with benefits of large-scale management and organisation as well as goodwill and support from the community. Thus, a rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for social stability, for expansion of employment opportunities and for rapid economic development. Along with a growing public sector and a private sector which functions with responsibility to the community as a whole, the influence of cooperation extends far beyond the particular activities organised on cooperative lines, and gives to the social structure and the national economy, balance, direction and a sense of value.

“Economic development and social change are equally vital elements in the reconstruction of India's social and economic structure. Cooperation is one of the principal means for bringing about changes of a fundamental nature within the economy. As was stated in the Second Five-Year Plan, in a country whose economic structure has its roots in the village, cooperation is something more than a series of activities organised on cooperative lines; basically, its purpose is to evolve a scheme of cooperative community organisation which touches upon all aspects of life”

MALAYSIA

In Malaysia, the Prime Minister of Malaysia spoke in 1970 about the role of cooperatives in national development in somewhat different yet very positive terms:

“It is only since our attainment of independence that the Cooperative Movement in Malaysia was made to bear some significance to our national life. The Government, conscious of the importance of the Cooperative Movement, has rightly brought it into and within the structure of the nation's overall economic planning. While the Cooperative Movement, has achieved a measure of success in some of its endeavours, there is still much room for improvement. It is evident that in some respects it

is unable to meet the challenges facing the nation in our quest for modernisation and advancement”.

“I would like to take this opportunity to state here that I consider it essential that we should have a new and indeed a more vigorous concept of Cooperative Movement in Malaysia. It is necessary that our approach to cooperative development should be attuned to the reality of our society. I am pleased that the Minister of National and Rural Development, who is now responsible for Cooperative Development, has set up a Committee to review our whole concept of this Movement. Cooperative Movement is an important means of achieving the objective of the government’s economic policy, that is, the need for providing employment to our people, for giving equal opportunities and for bridging the gap between the haves and the have-nots so that the wealth of the country will be most justly and equitably distributed and social injustice eliminated”.

“The Cooperative Movement should essentially be geared towards this end. It must, therefore, be invigorated and injected with greater dynamism in order to be a really efficient and effective vehicle for progress. We should review the whole structure and operational machinery in order to provide a stronger basis for the Movement”.¹

“The Fifth Malaysia Plan, 1986-90, states that in the task of modernising and commercialising the small holder agricultural sub-sector, major emphasis will be given to human resources development and cooperatives will be one of the rural institutions whose services will be harnessed for this task, in order to stimulate creativeness, self-reliance and entrepreneurship”.

INDONESIA

The role of cooperatives and the efforts to promote them in the Third and the Fourth Five-Year Plans of Indonesia are outlined below:

The Third Five-Year Plan of Indonesia (Repelita-III) lays down in

¹Quoted from G.K. Sharma, Government Role and Policy for Cooperative Development—Paper presented at the ICA-AARRO Top Level Cooperative Leaders Conference, held in Tokyo, November 1983.

the implementation of national development, all domestic funds and forces, should be utilised. This should also be accompanied by policies and steps aimed at supporting, guiding, developing and promoting the capability of economically weak groups to participate in the process of development. In this framework, cooperatives constitute one of the instruments and means commensurate with the aims and purposes earlier mentioned.

"Apart from that, cooperatives at the same time become an important economic organisation in the framework of increasing savings and production. Cooperative could also be an instrument in solving disharmony in society, i.e. as an organisation of economically weak groups in society. This means that fostering cooperatives is in line with the basic principles of economic democracy which provide that the community should play an active role in development activities, besides guaranteeing the implementation of the principle of an equitable distribution of burdens and the results of development in accordance with the sense of justice".

Under the Fourth Five-Year Plan (Repelita-IV) it has been stated—The efforts to promote the development of cooperatives will be directed towards : (i) raising the capability of the village unit cooperatives and other primary cooperatives to act as independent business entities; (ii) promoting cooperative activities in various sectors, for example, in trade, agriculture, manufacturing, electricity, loans and savings accounts; and (iii) enhancing the cooperatives ability to cooperate, either individually or other non-cooperative business organisations.

To achieve the three objectives, cross sectorally integrated policies will be implemented in the sectors of education, trade and cooperatives, regional government, procurement and distribution of food and other essential commodities, as well as in the transportation and credit sectors.

The President of Indonesia had the following to say in regard to cooperatives in his address delivered on 1st March 1983 at the General Session of the People's Deliberative Assembly of the country.

"The concrete and successful attempts to raise the ability of the weak-economy group and to enhance the prosperity

of the mass of the people in the context of carrying out equitable development and social justice, have been made through developing the cooperatives, especially through developing the Village Unit Cooperatives (KUD) and the other primary cooperatives".

In these last five years, the increased ability and role of the "KUD" and other primary cooperatives can be seen and felt in handling supplies of production inputs and in marketing products, particularly in the agricultural field, such as the production of rice, secondary crops, fishery, stock-raising and estates, in addition to the field of handicrafts and small industry and services, such as metal handicrafts, transport, saving and lendings and the like.

"Progress is also tangible in the cooperatives, both in the field of their management and in that of their capital, so as to boost public trust and the confidence of members in the life and future of cooperatives. Nevertheless, the work of promoting and expanding the cooperatives still needs to be intensified, so that the cooperatives can in the future truly become one of the strong pillars for the national economy and from the activator to raise the abilities of the weak-economy group so as to advance towards social justice".

ASSESSMENT OF COOPERATIVE PROGRESS

The United Nations Research Institute for Social Development (UNRISD) made a multinational study on "Rural Cooperatives and Related Institutions as Agents of Planned Change" during the 1970s. The general conclusion of the study was that cooperatives are not playing this role of "Change agents".

Mr. Alf Carlsson in the ICA/COPAC Occasional Paper on the "Relationship between the State and Cooperatives in Developing Countries"² states that the outcome of the study and its methodology were much criticised and it was regarded necessary to correct some misconceptions and misunderstandings concerning the nature of cooperatives, their objectives and functioning.

Mr. Carlsson further states in this regard as follows:

That such misconceptions are still current is shown by the

2. Stockholm, August 1986, pp. 8-9.

statement of the ILO representative at a workshop entitled "Why Cooperatives Succeed...and Fail", which was organised by the U.S. Overseas Cooperative Development Committee, in Washington, D.C. in October 1985.

There are some common misconceptions about cooperatives, which lead them to be blamed for failure when such blame should rightly be placed elsewhere (often on the development planners). These include:

- that cooperatives can succeed even when external circumstances are all unfavourable;
- it is not widely understood that cooperatives are slow to mature, in common with other people's organisations; they are more likely to survive and prosper as viable self-help institutions through the normal process of steady growth rather than through any accelerated growth imposed by the exigencies of an urgent development situation (e.g. many state directed settlement schemes); in developing countries, in the context of their relationship with government and the State.

The author also does not share the conclusions being drawn by some agencies and academicians based on the UNRISD study that cooperatives have failed in their objectives of strengthening the weak. His own experience of work with Cooperative Movements in Asia for over three decades leads him to believe that a balanced conclusion needs to be drawn in regard to the work of the cooperatives. In Asia, rural cooperatives have made a tremendous contribution on a nationwide scale in the Republic of Korea and Japan. In all other countries of the region, significant successful examples exist. In respect of dairying and sugar, cooperatives in India have developed to an extent whereby they make a far-reaching impact on the lives of their members and on the national economy as a whole; they have also made a significant contribution to the ushering in of the Green Revolution. The three outstandingly successful nationwide cooperatives in Malaysia and cooperative sugar federations, dairying and fertilisers production in India have demonstrated their capacity to operate large-scale commercial, agricultural and industrial enterprises requiring modern sophisticated machinery as well as managerial and technical expertise.

The author outlined a framework for Cooperative Development based on a detailed review of cooperative development efforts in Asia in his paper "Role of Cooperatives in National Development."³

PRE-CONDITIONS FOR COOPERATIVE DEVELOPMENT

Studies of cooperative development efforts both nationally and multi-nationally have revealed that certain basic pre-conditions should be fulfilled for successful establishment and operation of cooperative societies. These pre-conditions are as follows:

(i) Development of infrastructure

The development of infrastructure, viz. irrigation facilities, roads, transport, communication, warehousing, marketing structures and the needed technological research, e.g. in the field of agriculture and fisheries, are of utmost importance for creating conditions for successful development of any kind. Cooperatives would have a better chance of success if the programmes of cooperative development are simultaneously accompanied by such infrastructural development.

(ii) Land reforms

It is found that cooperative organisations succeed better where a certain degree of homogeneity amongst members exists. The experience of Japan and the Republic of Korea indicates that the introduction of far reaching land reforms created the necessary socio-economic environment for the successful launching and operation of Cooperative Movements. Where strong disparities in land ownership and cultivation rights exist, it has been found that the benefits of cooperative action are appropriate to a considerable extent by well to do sections of the rural populations. Unless a fairly egalitarian structure is created, it would be incorrect to expect the cooperatives to make a significant

3. For a Detailed review, see J.M. Rana. Role of Cooperatives in National Development in "Enhancing Cooperative Capability", issued by AARRO and ICA RO, 1984, pp.35-48 : Paper presented at the ICA-AARRO Top Level Cooperative Leaders Conference held in Tokyo, Japan, November 1983.

and nation wide contribution to agricultural and rural development.

(iii) ***Proper pricing policies***

It is essential that appropriate agricultural price support policies are formulated to ensure a reasonable level of price stability for agricultural commodities. Small and marginal farmers with their very low capacity of bearing risks cannot be expected to move away from subsistence farming to commercial farming in the absence of price support measures. The farmer as also the fishermen needs to be provided certain price guarantees against market uncertainties and severe price fluctuations. He needs to be provided an assurance that he will receive a return that will cover his cost of production plus a certain margin that would allow him a reasonable level of income. Import policies in respect of agricultural produce also have to be carefully designed keeping in view the need of protecting the farmers and enhancing agricultural productivity. Such necessity is already recognised in all the advanced countries.

(iv) ***Crop insurance***

The farmers are exposed to the vagaries of weather. Natural calamities such as droughts, floods and cyclones damage their crops and disrupt their already fragile economies. Schemes of Crop Insurance to protect them from such unforeseen calamities should be developed so as to impart some measure of stability to their economies. In the absence of Crop Insurance Schemes, Relief and Rehabilitation Funds should be established to help out the farmers as also the fishermen. Without such schemes, farmers and fishermen's cooperatives would lack stability and would be exposed to rude periodic shocks and failures for no fault of their own.

III : ROLE OF GOVERNMENT IN PROMOTING DEVELOPING COOPERATIVES

ROLE OF GOVERNMENT VIS-A-VIS COOPERATIVE MOVEMENTS

The rationale for Government to play a significant role in

cooperative development has already been dealt with to some extent in Section-I. Traditionally it was argued by both the colonial governments in Asia as well as by the governments after independence that cooperatives are organisations of the weak and hence they need special support. The members of the cooperatives suffer from widespread illiteracy/low levels of education, traditional methods of production in respect of farming, fishing, cottage and small-scale industry etc., poor economic conditions and lack of adequate capital, leadership, management and technical expertise. Cooperatives in the rural areas are pitted against the strongly entrenched money-lenders-cum-traders who have important links with the urban sectors of banking, commerce and industry. It was against this background that the All India Rural Credit Survey Committee, 1954, argued for strong and active assistance to rural cooperatives and formulated a policy of "State Partnership in Cooperative Development". Similarly support on large scale was provided by the Government in the Republic of Korea to agricultural cooperatives. Assistance in various forms have been provided by governments in other countries of Asia also.

The needs for government sponsorship and support to cooperative organisations in developing countries of Asia has been accepted by cooperative leaders as well. As has been pointed out in Section-II of this paper, there exists a close identity of interests between government policies of the Asian countries and the objectives of the Cooperative Movement. It is on account of this identity of interests that cooperators have not only welcomed but also demanded state policies and assistance programmes for facilitating the growth of the Cooperative Movement. The State support to Cooperative Movement is not incompatible with Cooperative Principles has been very well enunciated by the ICA Commission on Cooperative Principles and the Royal Commission on the Cooperative Movement in Sri Lanka in their respective Reports.⁴

The ICA Commission makes the assumption as do many cooperative leaders and researchers that state support to cooperatives should be a transitory phase.

4. Mr. A.F. Laidlow, an outstanding Canadian Cooperator, was Chairman of the Royal Commission in Sri Lanka. For a detailed discussion of the subject, see J.M. Rana, "Forms of Government Aid and Cooperative Democracy" paper presented at the ICA-AARRO Asian Top Level Cooperative Leaders Conference held at Tokyo, 1973, pp.173-178 of the Conference Report.

FORMS OF GOVERNMENT ASSISTANCE

Government assistance to Cooperative Movements may be categorised under the following main heads. These categories are not exclusive and have close relationship with each other. For example, cooperative policy would determine the nature and content of cooperative legislation, the nature of government aid etc. Similarly cooperative legislation would include aspects of government financial aid, supervision, audit, etc.

- i. Cooperative legislation,
- ii. Establishment of Cooperative Department,
- iii. Formulation of Policy of Cooperative Development,
- iv. Financial aid,
- v. Assistance in the field of Education and Training,
- vi. Assistance and guidance by way of Supervision, Inspection and Audit.

COOPERATIVE LEGISLATION

Cooperative legislation performs a number of functions. First, it recognises the special character of cooperatives as distinct from partnerships, joint stock companies and public corporations. In this process the cooperative principles have to be translated into legal norms. It is important that the law is formulated in such a way that it facilitates the establishment of voluntary and genuine cooperative organisations based on cooperative principles. Secondly, the cooperative law contains provisions in order to prevent speculators, capitalists and traders from forming cooperative societies, since cooperative societies are meant for ordinary persons and the purpose of these societies is service and not profit. Thirdly, the cooperative law contains provisions for conferring special privileges and facilities upon cooperatives in order to encourage their formation and assist in their operations. Fourthly, the cooperative law contains provisions outlining the cooperative management set-up and the duties and responsibilities of the general assembly of members, the Board of Directors and the General Manager. Finally the cooperative law also spells out the responsibilities of the government as promoter, guide, coordinator, aid-giver and watch dog of the Movement. All the above four aspects are essential and desirable. However, in regard to the last aspect developments in the post-indepen-

dence cooperative legislation has produced seriously negative results.

A detailed review of cooperative legislation in various countries of Asia is not feasible in the space of this paper. A comprehensive study of Cooperative Laws vis-a-vis Cooperative Principles in India was made by Messrs. P.E. Weeraman, R.C. Dwivedi and P. Sheshadri. Mr. Weeraman also made a study of the Effect of Cooperative Law on the Autonomy of Cooperatives in South-East Asia. The general conclusions of these studies point out that there are several provisions in many cooperative laws in the region which inhibit free functioning of cooperatives, the development of initiative and enterprise in the members and they do not allow the needed autonomy to cooperative organisations. Mr. Weeraman concludes on the basis of his study that in some countries the interference from the government is inordinate with the result that the cooperatives have been reduced to positions of state adjuncts.

In the post-independence era, the cooperative laws have been amended or new cooperative laws enacted. The laws have become more complex and have vested in the government considerable powers of regulating and controlling cooperative organisations. Since cooperative organisations have been registered and brought into being to implement government policies e.g. of increasing food production or distributing scarce consumer commodities, governments have concentrated on implementing such government policies; in this process they have generally neglected to preserve their cooperative character to nurture cooperative organisations and to allow them to function on the basis of cooperative character viz. member interests, member control and democratic management. Provisions have been added to cooperative laws allowing government to supersede elected boards of management, appoint its nominees to cooperatives' boards, impose by-laws and even assume powers of the general assembly of members. Under such a legal cooperative set-up, cooperative leaders get demotivated and members regard cooperatives as government bodies and not their own institutions.

In the opinion of the author, cooperative legislation in most countries in Asia requires urgent revision in very many important aspects. Cooperative law, however, is an instrument for the implementation of a government policy of cooperative develop-

ment. The remarks made earlier show that there is a lack of clarity in regard to government policy. Policy of implementing government's other programmes have taken precedence and priority over the policy of sponsoring and developing cooperatives. As a result the true character of the Cooperative Movement has been undermined, in some cases even destroyed. A clear enunciation of a Cooperative Development Policy is therefore of utmost importance in any future attempts at revising/enacting new Cooperative Laws. The acceptance of Cooperative Principles in a Cooperative Development Policy is therefore the first step. Cooperative Principles should then be translated into legal norms. Secondly, the Cooperative Laws may make provisions for pre-cooperatives if it is felt that full-fledged cooperatives are not feasible in certain areas or certain groups of people due to their lack of capacity. Thirdly, special provisions may be made for organisations in which state participates by way of share capital and management with the aim of making them full-fledged cooperatives in course of time. Thus the Cooperative Law should have three separate sections for each of these three forms viz. full-fledged cooperatives, pre-cooperatives and state-partnered cooperatives. The aims and objectives of the latter two categories should be clearly spelt out in Cooperative Laws and procedures outlined for converting them into full-fledged cooperatives. Finally, the Cooperative Laws should be kept as simple as possible by laying down the general outlines, the details being left to cooperative by-laws.

In most Asian countries, National Cooperative Unions and Business Federations have been established. They should be consulted and their views taken into account in revising cooperative laws. Professor Hans M. Munkner, an authority on Cooperative Law for the developing countries recommends participative law-making and advocates dialogue with the target population as one of the seven steps in law-making. There is great merit in this recommendation. Revision on Cooperative Laws should be carried out with the widest possible consultation with all affected parties, especially the target groups, cooperative leaders at the district levels, national organisations and cooperative research workers.

ESTABLISHMENT OF COOPERATIVE DEPARTMENTS

A Cooperative Department is established in almost all countries of the Region with the Registrar of Cooperative Societies as the

Head. As he is also given the task of carrying out organisational work before registering cooperative societies, and subsequently assisting in their development, in some countries he is also designated as the Commissioner/Head of Cooperative Development. Usually the Registrar/Commissioner is assisted by a large number of officials working at the H.Q., districts and country levels, designated as Joint, Deputy and Assistant Registrars, Inspectors and Auditors.

One of the most important functions which the Registrar is expected to perform is that of extension/education of people for whom cooperatives are to be organised, and preparing the would-be members for cooperative organisation. Economic feasibility and viability of the cooperative to be established are also examined by him. After the societies are registered, the Registrar and his staff supervise and guide the cooperatives in their operations. Heavy emphasis was placed on these functions in the pre-independence period and hence developed the well-known statement that the Registrar is the friend, philosopher and guide of the cooperative movement.

Audit is another responsibility of the Registrar and with it goes the task of firm and friendly advice as also being a task master to see that the advice tendered is complied with.

The Registrar is also given the authority to be an arbitrator in respect of disputes wherein a cooperative society is involved. This power is given to the Registrar in order to protect the cooperatives from time-consuming, costly and often complicated civil litigation.

Thus the Registrar of Cooperative Societies had the important development function with great stress on education of members and committee members. This function was in addition to the traditional functions of registering cooperatives, receiving annual reports and liquidating cooperatives which are purely legal functions as performed in industrialised countries of the West.

With the advent of independence cooperatives were expected to be instruments of social and economic development as has been mentioned earlier in the Paper. In fact the trend already started during the period of the Second World War when cooperatives

were organised in great numbers and were entrusted with the responsibility of distributing scarce consumer commodities which were rationed and price-controlled. After independence was achieved, governments utilised cooperatives in their food production programmes by entrusting them distribution of fertilisers and other inputs and as agents for procuring foodgrains at fixed prices. Their role as distributors of scarce commodities also continued in the fifties. As part of development plans targets of organising new societies and of performance in terms of sale of fertilisers, purchase of foodgrains, etc. were fixed. A large number of cooperatives were thus organised in a hurry without adequate preparation of members. Extension, the most important function of the Cooperative Department, was the first casualty. Next to suffer were supervision, inspection and guidance functions. Even, statutory annual audits went into long arrears, leaving the cooperative societies in a real mess. The motivation of the Registrar and the Cooperative Department changed, sometimes slowly, sometimes under great pressure from the government, yet it changed in most countries steadily. This process was further assisted by amendments to Cooperative Laws as mentioned in the preceding section which gave increasing, in some cases awesome powers to the Registrar. The Registrar's role changed from that of a friend, philosopher and guide to that of a controller, manager and even a master of the Cooperative Movement. Recalcitrant Registrars who would not understand this new role were changed. Further the cooperative laws were amended in some countries to vest certain powers in the Ministers since the control of cooperative organisations were important for protecting political positions of the party in power. In quite a few countries boards of directors of all important cooperatives, say at the district level, were superseded and new boards appointed when a new government came to power. In several cases elections to cooperatives were suspended for long periods and cooperatives were managed by nominated boards. The powers assumed by the government in respect of cooperative societies thus became almost "dictatorial", with the result that erstwhile cooperators often asked "Do we have a Cooperative Movement"? The ordinary people believed cooperatives were government outfits.

While the above picture look grim, it should nevertheless be stated that there are still bright stars in the firmament. As noted earlier, cooperatives have successfully developed in certain

areas despite the above handicaps. Also studies made by some researchers of Kasetsart University of Thailand revealed that cooperatives in those districts had succeeded which had dedicated and efficient district cooperative officers.

The situation is such, however, that it calls for a remedy. The Registrars of Cooperative Societies in the early days used to be senior officers with a flair for development work. Today in several countries, the Registrar is a typical civil servant who knows that his tenure in the Cooperative Department is a limited one. Often he is appointed without having had any previous experience of cooperative work. He thus looks upon his job as an Administrator rather than as a Development Officer. The other personnel in the Department also need training in cooperative principles, extension, development economics, financial management and consultancy techniques. Education and training of cooperative department personnel is of utmost importance for fostering a sound Cooperative Movement.

It may be repeated at the cost of being tiresome that at the moment cooperative department officers are administering Cooperative Laws which are in some cases antithesis of Cooperation. Unless the laws are reformed, learning "Cooperative Principles" is of little value since the officers cannot practise them.

This brings us back to the all important question of having the correct Cooperative Development Policy.

NATIONAL COOPERATIVE DEVELOPMENT POLICY

We have emphasised earlier the need for formulation of a National Policy on Cooperative Development (NPCD). Such a Policy would provide guidelines for enactment of the right kind of cooperative legislation; give direction to the Ministry and the Department responsible for cooperative development, coordinate efforts of other government departments and agencies wanting to utilise cooperative instrumentality for implementing their programmes, and would guide the efforts of the cooperative leaders, members and the cooperative organisations. Monitoring of results and evaluation of performance of cooperative organisations would also be facilitated. We would advocate the formulation of a Long Term Cooperative Development Policy so as to provide firm foundation for sustained long-term cooperative effort

over a period of 10-15 years, and thereby protect the cooperatives from short-term political or economic exigencies.

As has been stated earlier, governments in most countries have formulated policies on cooperative development. The policies outline in some detail the contribution that the cooperatives should make in various spheres of economic life such as agriculture, fisheries, consumer activities, etc. The policies also outline schemes of State assistance. However, one of the lacunas in the policies generally is the lack of a statement that cooperatives would be promoted and utilised in schemes of national development in accordance with cooperatives. Also no distinction is made between organisational forms such as pre-cooperatives, cooperatives with substantial State support, state partnered cooperatives and full-fledged cooperatives. These are the four distinct forms or models of cooperative organisations that have emerged during the last 70-80 years of cooperative history in Asia. It is essential to recognise these models in order to evolve norms of government's relations—assistance, development and regulatory functions vis-a-vis cooperatives. Cooperatives are at various stages of growth and it is suggested that these stages in the life-cycles of coops recognised and attempts made to assist coops for the other three categories to graduate into full-fledged cooperatives. One of the aims of NPCD should be to progressively deofficialise the Cooperative Movement and lead individual coops, coop structures in particular economic or geographical areas and the cooperative system as a whole to become fully self-reliant and autonomous. Various milestones in the process should be identified and mechanisms and assistance programmes devised to help this process.

The role of secondary and apex bodies should also be defined in securing progress towards autonomous cooperatives. In fact the national cooperative organisations and business federations, which now exist in most countries of Asia, can take over progressively a number of functions of government cooperative departments. Ideally all development functions should be performed by the national cooperative bodies, the Cooperative Department performing only the functions of registration of cooperatives, protecting the cooperatives against the entry of traders and speculators as members, conducting inquiries and taking action against dishonest and fraudulent board members and officials, and liquidating cooperative societies. If funds at

present made available to cooperative departments are allocated to national cooperative organisations, we see no reason why the latter cannot perform effectively the development functions. Possibly, the same, even better results would be achieved at less cost to the national exchequer. The track record of the National Agricultural Cooperative Federation in the Republic of Korea (which is a State-supported body) and the National Dairy Development Board in India (which is a Non-profit Association with a highly successful cooperative manager as Chairman) in the growth of agricultural and dairy cooperatives respectively in their countries is outstanding.

A question of accountability to Parliament is raised when government funds are made available. In this regard the Ministry in charge of cooperatives can receive from the aid-receiving national organisation periodic reports on utilisation of funds, work performed and results achieved as well as audited statement of accounts and then report to Parliament, just as it does when grants and subsidies are given to individual cooperatives. The Cooperative Ministry can be accountable to Parliament in the same manner as the Ministry of Finance is accountable in respect of the Central Bank of the country which is an autonomous body and as the Ministry of Law and Justice renders its accountability in respect of the judiciary which is independent of the executive arm of the government. The Cooperation Ministry does not have to perform all functions by itself or manage or strictly control the operations of the National Cooperative Organisations in order to satisfactorily discharge its obligations to the Parliament.

The above suggestion may appear too drastic or idealistic. Possibly an intermediate stage of creating a National Cooperative Development Council to be responsible for development functions may be acceptable. The Council can be composed of an equal number of cooperative leaders and government officials with possibly the Minister of Cooperation as Chairman. It is, however, essential that the status, objects, functions, resources, etc. of the Council are defined in the Cooperative Law or a special enactment so as to give it the needed autonomy to perform its tasks. The Ministry should refrain from interference in the work of the National Council or else the purpose and effectivity of the Council would be seriously blunted as has been the case with many public sector corporations.

We have dealt with the Registrar's functions of registration, inquiries and liquidation on the one hand and development functions on the other. There are two other important functions of the Registrar viz. audit and arbitration for which separate institutional arrangements are necessary. Auditing is no longer a simple affair it used to be in small societies and also when societies were fewer. Regular, timely and effective audit is of great importance for the health of a cooperative organisation. It is also a specialised function requiring specific skills. The Cooperative Movements would be best served if special audit organisations are created and they are made independent of both the Movement and the government. There have been some cases of frauds and corruption in cooperative organisations. Frauds and corruption should be checked and eliminated altogether for restoring members' and public confidence in the Cooperative Movement. Further, the audit organisations are most qualified to provide management consultancy especially in financial matters.

The fourth function of arbitration could be entrusted to Cooperative Tribunals for settling disputes within or between cooperatives as has already been done in one country of the Region. Fairplay and dispensation of justice should be the guiding principles for cooperative tribunals.

The above division of functions and creation of four separate entities have been suggested as the four functions are indeed separate and there is no reason why the government should burden itself with more than the minimum tasks as stated above. It is more effective to establish separate specialised bodies to deal with the above four functions on scientific and systematic basis than finding ad hoc solutions or burdening the Registrar of Cooperative Societies who should best be left to functions as a Civil Servant. The Registrar should no longer be a civil servant administering the Cooperative Law, Development Agency, an Audit Organisation and a Judiciary as well.

The ICA Cooperative Development Policy which has been quoted earlier, and ILO General Conference 1966 Recommendation No. 127 concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries contain excellent suggestions for the formulation of National Cooperative Development Policies. The framers of NCDP would be well served if they

studied these documents carefully and utilised the main elements of these documents in the context of their own special situations and needs. It is well worth repeating that the basic objective of the NCDP should be "the establishment and growth of independent, democratic and viable cooperative organisations, in which men and women participate on equal terms" as stated by the ICA Policy on Cooperative Development. The ILO Recommendation 127 states "Governments of developing countries should formulate and carry out a policy under which cooperatives receive aid and encouragement, of an economic, financial, technical, legislative or other character, without effect on their independence".

FINANCIAL AID

Governments in the Region assist cooperatives by way of grants, subsidies and low interest loans. In India the Government provides about 50 per cent of share capital to agricultural cooperative banks, marketing and processing societies, through such equity participation the State becomes a partner in cooperative organisations. It is through such massive assistance that Cooperative Sugar Factories in India have progressed to a stage when they now produce sixty per cent of the total sugar production in the country.

Lack of capital is one of the most important obstacles to the inability of cooperatives to render effective services or to enter areas such as processing of agricultural commodities. Hence, the strong need for financial aid to cooperatives. However, at the same time cooperatives need to develop mechanisms and procedures to build own capital and mobilise resources from members in order to return government loans and reduce their dependence on government. In the long run, cooperative autonomy is not feasible without financial autonomy.

Financial support to cooperatives should be accompanied by other assistance by way of preference in government licenses, e.g. for establishing agro-processing units and favourable treatment from Financial Development Institutions. Lack of such adequate support has inhibited cooperatives' entry into agri-industries except rudimentary processing. The presence of multinationals in the agri-business fields in many Asian countries such as dairying makes it all the more necessary for governments

to provide substantial administrative and financial support to farmers' cooperatives, without which the multi-nationals would milk away the cream off farmers' produce efforts.

COOPERATIVE EDUCATION AND TRAINING

Cooperative education of members, committee members and the employees of cooperatives is the most important element in enabling the cooperative to perform their tasks and to become self-reliant in management and funds. Hence, cooperative education is one of the Principles of Cooperation. A leading Swedish Cooperator, Mr. H. Eldin had made the now famous statement that the Swedish cooperators had the choice of starting with enlightened members but without capital or starting with capital but without enlightened members, they would choose the first alternative. Human resources are the main capital of the cooperative and hence the cooperative leaders had always emphasised investment in human capital.

We would not go in great depth in regard to this very important topic, except to point out government's role in cooperative education and training, cooperative laws in Asia usually provide that a percentage of surplus, usually five per cent, be contributed to a Cooperative Education Fund. Government Cooperative Departments collect this money and manage the Cooperative Education Funds. Governments in several countries have supplemented these resources and established Cooperative Training Colleges/Institutions at national and regional levels. Arrangements for member education have also been made. In some countries such as India and the Republic of Korea, cooperative education and training facilities are operated by the movement itself. In other countries both the Cooperative Department and the Movement carry out these tasks.

Cooperative education training is one function which the government should transfer fully to the Movement at the earliest. Members must participate in the planning and carrying out education programmes designed for them. Small group approaches such as neighbourhood groups and commodity groups as in Japan and the Republic of Korea need to be adopted for effective member education. Further, each cooperative or a group of primary cooperative must take full responsibility for arranging their members and committee members' education. Secondary

and apex organisations should provide support by way of guidance in formulating education programmes, study material, facilitators and training of facilitators (trainers). In most countries member education work needs to be greatly improved. It also needs to be made a continuing effort—in fact life long education — to understand and to develop appropriate responses to the changing needs of modern agriculture and/or relevant occupations of members, the changing needs and problems of cooperatives and the changing requirements for better living.

Training of cooperative employees must not only be in cooperative matters but also in management and technical aspects.

We have already mentioned the need for upgrading the training of employees of government cooperative departments.

The Cooperative Movements by themselves are not able to raise adequate resources, although they need to use effective methods of raising education funds by linking contributions to membership and turnover. The governments would be making their most effective contribution to cooperative development if they stepped up their assistance in this particular field by way of providing funds for infrastructure and operating expenses. It is the author's impression that government subventions to Technology and Management Institutes whose products are primarily used by the private sector are far greater than those to cooperative training. A comparative study in this regard is called for.

SUPERVISION, INSPECTION AND AUDIT

We have already dealt with this matter earlier. It should be emphasised that the secondary and apex cooperative bodies need to play a greater role in offering supervision, guidance and consultancy services to their affiliates. The government apparatus can progressively withdraw from these tasks as the secondary cooperatives and apex bodies develop capabilities in these fields. A phased programme of withdrawal by government bodies can be worked out and should be included as an important element in cooperative development plans.

ROLE OF INTERNATIONAL ORGANISATIONS

The UN Specialised Agencies especially the FAO, ILO and the

UNESCO have played a promotional role and provided to several governments in the Region technical assistance for cooperative development. The Rural Institutions Branch in the FAO and the Cooperative Section of the ILO pay special attention to Cooperative Promotion Programmes. The efforts of both these Agencies have been of great help to governments of Asia in their cooperative development efforts. On the non-governmental side, the International Cooperative Alliance has given sustained attention since 1960 to cooperative development in Asia and the Far East. With the financial assistance by the Swedish Cooperative Centre, the ICA operated for over 25 years an Education Centre for the Region. The Centre made important contributions to the promotion of cooperative member education, training of trainers of Cooperative Training Colleges and in widening the horizons and improving the skills of senior cooperative leaders and management personnel. The ICA has also assisted by way of a few cooperative projects. More importantly, however, the ICA has kept the flame of cooperative ideology alive and engaged senior policy-makers of the governments and the Movements in a continuing dialogue on genuine and autonomous Cooperative Movement. The ICA is currently assisting its member movements in terms of its Development Policy as a catalyst and a facilitator. Its Regional Office is helping the member movements in critically examining the role of cooperatives in national development and is attempting to create a climate favourable for the growth of genuine, voluntary and autonomous cooperatives. It is also helping its member organisations to create capabilities to identify and formulate cooperative projects on their own so as to stimulate cooperative development from below.

The Asian Development Bank and the World Bank have supported agricultural and rural development efforts in Asia over the years. Cooperatives have received some attention in these Asian Development Bank/World Bank financed projects aimed at developing rural infrastructure.

The combined efforts of the UN Agencies and the ICA and its affiliates have made significant contributions to Cooperative Promotion and Development in Asia. These efforts, however, can only be of catalytic and facilitating nature. The main burden has to be borne by the national governments and especially cooperative leaders and the members. The national cooperative organisations should enhance their capabilities and become engines of cooperative growth.

IV : CONCLUSIONS

It has been the thesis of this paper that Governments have a crucial role to play in the promotion and development of Cooperative Movements in the developing countries of Asia. Governments have provided varying degrees of support to cooperative development in Asian countries. In the process valuable experience has been gained and some lessons can be drawn for future work.

Government have recognised the role of cooperatives in national development and have utilised these peoples' institutions for implementing schemes of national development. Schemes of cooperative development have also been drawn up as part of Plan Programmes. However, certain conflicts have emerged in the process. The instrument of cooperatives as a means of social and economic development has been used but in the hurry of achieving economic results, the instrument of cooperatives has been blunted through its indiscriminate use. The true character of the Cooperative Movement has suffered and what we witness as outcomes of the schemes of cooperative development are often organisations which have some semblance with cooperatives but which in most cases are regarded by the members and the general public as government institutions.

Some suggestions have been made in the paper to redefine the role of cooperatives in national development based on the correct concept of a cooperative organisation, formulation of national cooperative development policies, reform of cooperative laws, reorganisation of government cooperative departments, utilising national cooperative organisations as vehicles of cooperative development and the expansion and improvement of cooperative education and the expansion and improvement of cooperative education and training programmes. The contributions made by international organisations have also been outlined. But it has been stressed that the main burden of cooperative development has to be borne by the national governments and the Cooperative Movements themselves.

It has been emphasised that the aim of cooperative development programmes should be to establish and develop autonomous, democratic and viable cooperative organisations, in which men and women participate on equal terms. Stable, viable and lasting social and economic development of the weak and the poor masses of Asia can be achieved only if cooperative organisations are established and operated on the correct cooperative concept.