

ICA 01097

ICA Library



ICA 01097

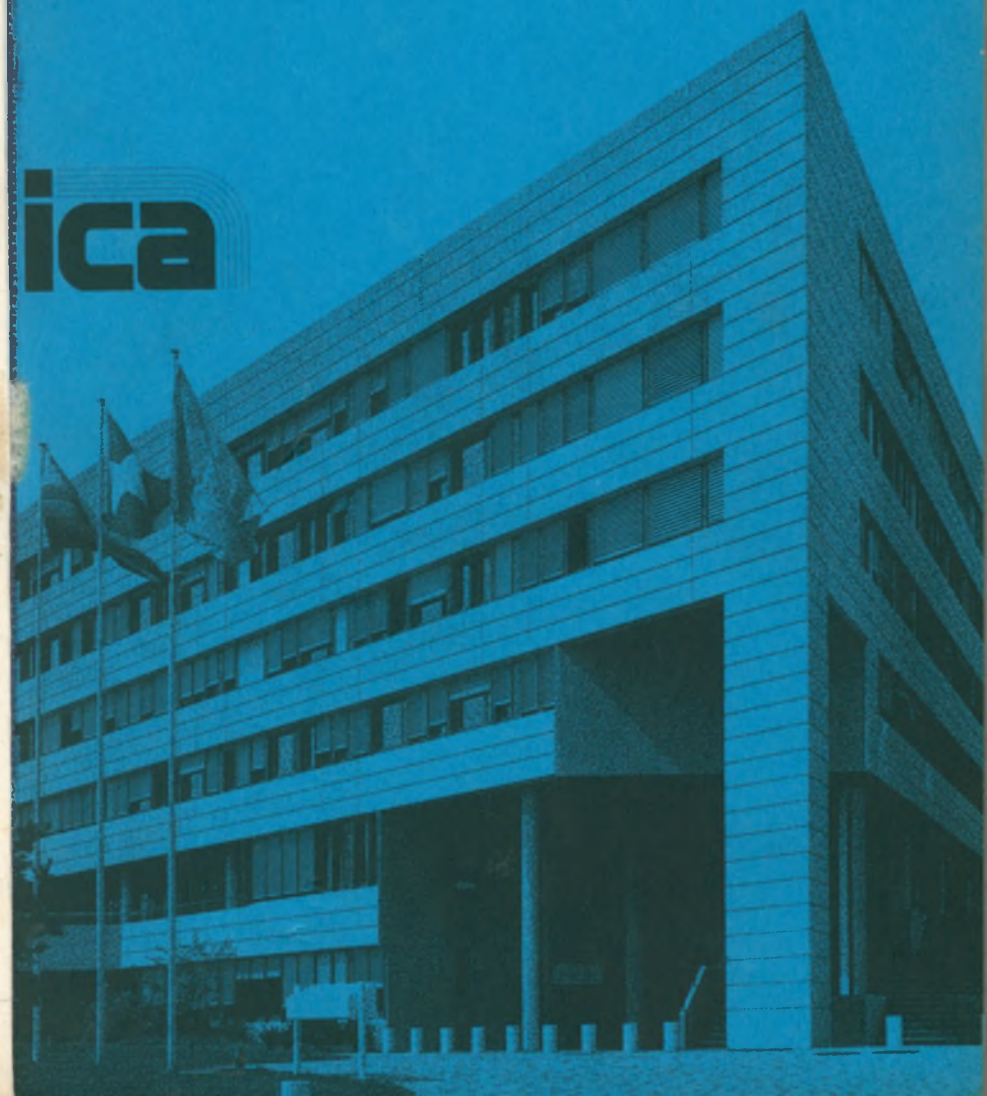


# Review of International Co-operation

Volume 86 No 1 1993



**ica**







# Review of International Co-operation

Vol. 86 No. 1/1993

Editor: Mary Treacy

Editorial Assistant: Laura Wilcox

---

## Contents

<b>Editorial</b> .....	3
<b>Co-operative Day Message</b> .....	4
<b>Co-operative Housing</b>	
100 Years of Co-operative Housing by H. Schmalstieg .....	5
The Ludwig-Frank Housing Co-operative by C. Hachmann .....	15
Housing and Integration of Migrants by Hans H. Münkner .....	21
Housing Co-ops in the Former GDR by T. Schaefers .....	23
Successful Self-Help - Housing Projects in Thailand by W. Wilkens .....	25
Co-op and Self-Help Housing in Latin America by C. Hachmann .....	28
<b>Europe</b>	
Planning a Strategy for the ICA in Europe by Arsenio Invernizzi .....	33
The Privatisation of the Agricultural Bank of Greece and its effect on Co-ops by S. Mariadis .....	40
<b>Southern Hemisphere</b>	
Latin American Experiences by A. Invernizzi .....	45
Aboriginal Co-operatives in New South Wales by S. Jayathanan .....	59
Strategies for Co-op Management in Malaysia by S. Tho Lai Mooi .....	65
From Sectors to Movements in the South by P. Develtere .....	73
<b>Gender Issues</b>	
No Future Without a Gender Perspective by K. Apelqvist.....	82
ICA Policy on Women in Co-operative Development with an introduction by J-E Imbsen .....	87
<b>Co-operative Education</b>	
Development Education - A World of Difference by N. McKinnon .....	92
<b>Book Reviews</b> .....	98



# Editorial

The past few years have witnessed profound transformation of the political, social and economic structures of many countries. These changes have and will continue to have a considerable impact on co-operatives. The end of the cold war did not bring the stability we hoped for. The situation in the former Yugoslavia is the outstanding example but this lamentable situation is echoed in countries throughout our planet. The world is going through a turbulent period and our movement is being battered by the storm.



As a membership organisation, the ICA is inevitably affected by developments in its diverse constituents around the world. It has reacted to the challenge that these worldwide changes present by adopting a new structure. The ongoing review of basic values and the current review of co-operative principles are other indications that the Alliance is reacting positively to the changes and challenges facing its members.

At the United Kingdom's Co-operative Congress which I attended last month, its President, George Cunningham, commended the ICA for raising the worldwide debate on basic co-operative values which he described as being a great service to the Movement. He stressed that co-operative values are the very buttress of our movement and emphasised that they should underpin all our policies and activities.

At the same Congress, a message from the Canadian Co-operative Association reminded delegates what co-ops are really about. Referring to the "fundamental challenges" faced by co-operators which are a direct result of rapid changes occurring in the world, the Canadians wrote "Co-operatives did not come into being to maintain the status quo; they came into being to facilitate change. That is why our time has come again".

There is only one certainty in life: everything is constantly changing. The Co-operative Movement like all economic enterprises must adapt to change if it is to survive. In their message to the UK Congress, the Canadians stressed that the Movement has a major role to play in adjusting to this change and in ensuring that its members understand the change and are able to adjust also.

The ICA Secretariat would like to invite movements, scholars and journalists to contribute articles for a special issue of the Review of International Co-operation which will echo the theme of the UK Co-operative Congress "The Challenge Facing the Movement - Responding to Change". Please share your views and your experiences with our readers around the world by contributing to this important issue. We look forward to hearing from you.

*Mary Treacy, Editor*

# 71st International Co-operative Day

(Saturday, 3 July 1993)

Message from the International Co-operative Alliance

## Help Spread the Co-operative Message through the United Nations' International Day of Co-operatives

The political, economic and social changes which are rocking the world have far reaching consequences - consequences which have become increasingly dramatic in the new era of economic and political liberalisation.

These changes have also had an affect on the co-operative movement and, as a membership organisation, the International Co-operative Alliance is inevitably affected by developments in its diverse membership around the world.

The ICA has reacted to the challenge that these worldwide changes present by adopting a new structure and by analysing and restating its value system. It is now poised to enter its **second century of existence** and carries a message of hope that co-operatives can help to resolve the present crises which are afflicting our planet.

The 1992 report of the UN Secretary General, Boutros Boutros-Ghali, to the United Nations General Assembly on the **role of co-operatives in the light of new economic and social trends**, argued forcefully for giving greater prominence to co-operatives as a means of contributing to economic restructuring and social progress.

As a result of the report, the United Nations General Assembly passed a resolution to maintain and increase its support to the programmes and objectives of the international co-operative movement, and proclaimed a United Nations International Day of Co-operatives to take place in 1995 to coincide with the ICA's centenary and with the co-operative movement's own international co-operative day.

The ICA will focus the greater part of its energy on its first priority - providing services to its members. However, there is a need for the whole movement to combine in efforts to make the co-operative message better known to the general public.

The International Co-operative Alliance believes that, if the UN declaration to celebrate a UN International Day of Co-operatives in 1995 were extended so that each year there would be a UN Day of Co-operatives coinciding with the ICA's International Co-operative Day, this would enhance public awareness of the way in which co-operatives can improve the quality of life for people in all societies.

The ICA therefore calls on its more than **200 member-organisations and over 700,000,000 individual co-operators** worldwide to **lobby their governments and to campaign** for a permanent United Nations International Day of Co-operatives which will proudly spread the co-operative message, and to explain the co-operative principles and values, so that the general public has a clearer picture of what makes a co-operative work for the benefit of the whole community.

# 100 Years of Co-op Housing

by Herbert Schmalstieg\*

'When the housing need is greatest, co-operative self-help is closest.' This secular adaptation of a Christian adage sums up the history of housing co-operatives over the past hundred years and more.

## Self-help as the Key

The history of housing co-operatives began with the Industrial Revolution in the mid-19th century, when large numbers of manufacturing districts grew up first in Britain and France and then in Germany. Then as today people flocked into the towns and cities in the hope of finding work, the security of belonging to a community, better living standards and prospects for their children. And, as in our own time, the rapid growth of the urban population produced a rising demand for affordable housing which the supply was unable to satisfy. The housing shortage led to higher construction and land prices, speculation, profiteering, social discontent and crime. A familiar picture.

People in need of accommodation were forced to resort to self-help. They followed in the footsteps of the Rochdale Society of Equitable Pioneers, the English flannel weavers who established a



co-operative society in 1844 and whose principles were to have worldwide repercussions on the co-operative movement. Victor-Aimé Huber had encountered these and other early co-operative forms first-hand on his travels. In his work *Die Selbsthilfe der arbeitenden Klasse durch Wirtschaftsvereine und innere Ansiedlung* he had recalled his experiences and made proposals for an extension of the co-operative principle. It was he and other figures committed to self-help, like Franz Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen, who were the driving force of the German co-operative movement, which first became established in the form of consumer and credit societies. The co-operative idea also gained support from figures like Ferdinand Lassalle.

\* Mr. Schmalstieg worked in the field of public relations and publicity until he was elected Lord Mayor of Hannover in 1972. He is also one of the Vice-Presidents of the German Cities' Union.

It was not until 1862 that the first housing co-operative, the *Häuserbau-Genossenschaft Hamburg*, was founded. In 1870 similar organizations were set up in Breslau and Darmstadt. Housing co-operatives did not start to appear in any significant numbers however until a Co-operative Act, the forerunner of the 1889 act, was adopted by the Reichstag in 1873. As a result of this first spate of foundings there were 52 housing co-operatives in 1874. The *Arbeiter-Bauverein*, established in Flensburg in 1878, was devoted exclusively to the construction of housing for purchase by its members. Once half of the building costs had been accumulated through rent revenues and membership dues, lots were drawn to decide which member would receive the title to the home. The co-operative encouraged its members to save, built up its own capital and was able in this way to offer low-interest finance.

A completely different kind of housing co-operative was established in Hannover in 1885. Set up on the initiative of the tenants' association, its sole purpose was to provide rented accommodation with long-term tenancy rights. Rent increases could only be introduced with the consent of a general meeting. This co-operative, based on a savings club and called *Spar-und Bauverein GmbH*, is still in existence: making it the oldest housing co-operative in Lower Saxony.

### **Co-operative Principles**

Housing co-operatives are still concerned with these objectives. For all the initial successes, however, it is a

fact that housing co-operatives were rather sluggish in their development. Finance for housing development was no less of a problem then than it is today. Most of those interested in this form of self-help were on low incomes and could not raise enough capital, while other private investors were deterred from tying up their money in housing by a poorly defined legal framework and uncertainties about the development of incomes and migration patterns.

It was a major step forward when, in 1889, the Reichstag adopted the Industrial and Business Co-operatives Act ('the Co-operative Act'), which permitted the establishment of limited liability co-operatives in which members' liability was generally restricted to the value of their shares.

The principles employed by co-operatives result from, or can be attributed to, this act. They are set out in a policy paper, *Wohnen bei Genossenschaften* (living in co-ops), the latest edition of which is currently being prepared by the German Housing Management Association.

\* First, the *promotion principle*. German law defines co-operatives as 'Societies without a fixed number of shareholders designed to further the income or the condition of the shareholders through joint business operations.' In other words, they are open to anyone who wishes to pool their efforts with others on a voluntary basis. There has never been a single view on what is actually meant by 'material furtherance',

although most would now agree that it extends beyond just providing affordable homes.

- \* The *identity principle* is the logical consequence of the above. The shareholders in a co-operative are the sources of their company's finance, the clients for its services and the users of its homes.
- \* The *democracy principle* reinforces the identity principle. Ever since the first co-operative was established in Rochdale, each shareholder has had only one vote, irrespective of their contribution to capital. In the course of time, however, the direct democracy practised in Rochdale has given way to representative democracy as being more practical.
- \* The *solidarity principle* requires from every co-operative shareholder that he should be prepared to pursue with the other shareholders economic goals that have been identified by all.
- \* The *welfare principle*, much older than the Co-operative Act, should not go unmentioned because of the role it plays in ensuring accommodation for those on low incomes. It is manifested in the large numbers of homes provided, rent ceilings, limitations on dividends, the use of shareholders' assets for co-operative purposes, independence from the construction industry, mandatory audits and public scrutiny.

The housing co-operatives saw rapid expansion after the adoption of the Co-operative Act. This was further en-

couraged by the Invalidity and Pensions Act of 1889, which allowed regional insurance schemes to invest a portion of their assets in land and mortgages for workers' housing. They were entitled to supply finance for new co-operatives provided a majority of the shareholders were insured.

This eased, if it did not exactly solve, the problem of co-operative finance. A new wave of co-operative foundations ensued, which lasted until World War I, by which time there was a total of about 1,400 housing co-operatives founded by various groups including tenants' associations, professional organizations, trade unions, associations of persons sharing the same ethnic origin, political and religious affiliation. They were motivated not only by the desire to ensure a plentiful housing supply, but also by qualitative considerations such as clean air, light, hygiene and natural surroundings. While the State did not hinder these developments, it did not provide much help either.

The co-operatives were supported in their efforts by businessmen, civil servants and scholars, and later also by local authorities, the last of these being responsible for accommodating the people living in their area.

### **Housebuilding on the Increase**

It was not until after World War I that there was any major intervention from the State. Faced with a massive housing shortage, the provinces established housing welfare associations which worked closely together with housebuilding co-operatives. And the



national Government introduced compulsory economic measures in an effort to ease the situation.

It was the responsibility of local councils to implement these measures. They were bound by the Prussian Housing Act of 1918 to prevent and rectify difficulties and to encourage the improvement of housing conditions for low-income groups. This led to a large number of new housing developments built and financed by local councils. Apart from property taxes, the councils and their savings banks put in considerable resources of their own.

The number of housing co-operatives grew to 4,390 by 1930, and between 1920 and 1930 housing co-operatives accounted for about a quarter of all homes built in those places where they existed. At the same time, funding came increasingly from the public purse, which made their approval subject to certain housing policy objectives. Tax incentives were extended to non-profitmaking developers, whether co-operatives or not, and set out in the Decree on Non-Profitmaking Organizations of 1929-30 and later in the Housing Associations Act of 1940.

After 1933 all democratic bodies were forced into line with the Nazi regime. Co-operatives were often forcibly merged, so that after World War II only about 1,600 housing co-operatives with a total of some 300,000 dwellings remained in the western zones of Germany and West Berlin.

The currency reform of 1948 triggered the foundation of new co-operatives, a trend which was encouraged by the arrival of refugees from the former

German territories east of the Oder-Neisse line. In 1950 there were as many as 630,000 co-operative shareholders, even though the number of co-operatives had declined sharply due to many going out of business and others joining together with similar non-profitmaking organizations.

### **One in Six Non-Private Subsidized Homes Belongs to a Co-operative**

In the 40 years between 1950 and 1990 the housing co-operatives in West Germany built over 1.3 million dwellings, 7% of the total and 30% of the homes built by non-profitmaking organizations as a whole. Of this number, 61% (789,000) were rented homes, while 512,000 were owner-occupied dwellings, mostly for co-operative shareholders.

The total number of co-operative dwellings let to shareholders in 1990 was just over one million, 30% of all accommodation administered by non-profitmaking organizations and 7% of rented dwellings in West Germany. In 1990, 77% of all co-operative dwellings were housing stock built since the foundation of the Federal Republic in 1949, 684,000, or 87%, of this total are publicly subsidized. This figure is equivalent to 17% of all subsidized rented accommodation. In other words, one sixth of all subsidized rented homes in the western part of Germany belong to co-operatives.

Most Germans enjoy at least adequate housing conditions today, and the majority would be in a position to afford larger and better accommodation. However, there is a growing number

of persons in big cities whose financial and social situation is such that they could not compete on the free market and are therefore dependent on legislation to limit rents and provide subsidies. The problem is that such accommodation is becoming more difficult to find as legislative requirements of this kind are commonly lifted after a number of years.

The situation is compounded when other sources of accommodation for lower-income groups dry up as rented accommodation is sold off, rents increased following modernization and renovation, smaller flats are turned into larger units and poor-quality housing is demolished. To make matters worse, demand by the middle-income bracket in this part of the market means that those on a tight budget find themselves being outbid.

### **Federal Programmes Inadequate**

The housing authority in Hannover alone currently has some 6000 emergencies on its books. For all its efforts, the municipality is successful only in a small minority of even the most urgent cases.

Faced with this situation, city councils need to press for a lasting change of policy so as to give priority to subsidized housing with long-term restrictions on rents. This is a perfectly feasible proposition if the relevant schemes and particularly tax incentives are targeted on those areas where the need is greatest so that they only benefit those unable to afford housing without public assistance. It is no longer acceptable that those on the top fifth of the earnings scale receive 45% of direct

and indirect housing subsidies, whereas just 5% remains for the bottom fifth.

The Federal Government's housing support programmes are a disappointment. The funds for subsidized housing developments fall short of what is required in both the eastern and western parts of Germany. A shortage of 2.5 million dwellings nationwide underlines the need for greater efforts in housing construction. An increase in public funds for subsidized housing development of over DM 1 billion per year for the next decade is needed to ease the acute problems of the housing market.

And it would also help the housing situation if the Federal Government were to back the Presidium of the German Association of Municipal Corporations' demand that, 'Dwellings previously used by members of the armed forces and their families and being vacated because of arms conversion must be made available to local councils at a price reduction of at least 50%'. We cannot expect to see any improvements from the special three-year programme planned for areas with a severe housing shortage in western Germany to benefit mainly persons in mid-income brackets who earn too much for subsidized housing. Such schemes would certainly be welcome if the situation on the housing market were less strained, because then they would offer a means towards a more balanced distribution of the housing stock. However, in many towns and cities more than 80% of those entitled to subsidized housing are 20% below the income limit. As the number of people in

this category grows, the battle for scarce subsidized accommodation will become fiercer and bring heightened social tensions with it. Such support is also objectionable because most of the funds find their way into suburban and rural areas, where land prices and building costs are still relatively low, aggravating the existing contradictions between cities and their environs.

Building land has become so rare and expensive in cities that there are very few places where owner-occupied homes can be built, and even then most new owner-occupied developments are necessarily apartment blocks. With this in mind, the German Association of Municipal Corporations has suggested abandoning tax incentives for the purchase of existing property until such time as a solution has been found to the housing shortage. Even then, the incentives will have to be targeted in such a way as to benefit households on the threshold of owner-occupation which are unable to afford to have a home built or keep up payments without assistance from the public purse.

The degressive provisions introduced in Section 10e of the Income Tax Act might be a step in the right direction. If tax incentives are really to help low and middle-income groups, particularly households on the way to affording a home of their own, they will have to be granted in the form of tax relief along the lines of the existing scheme under which families wishing to build a house of their own pay a lower amount if they have more children. This is what the German Association of Municipal Corporations has been calling for since 1985.

It was that same year that the association recommended tax relief on co-operative shares from a certain minimum level on the same basis as investments by owner-occupiers. Socially acceptable models along these lines also have the support of housing co-operatives and could help to ease the strain on the urban housing market by encouraging the construction of private dwellings.

### **Growing Welfare Problems**

Given the solidarity among co-operative shareholders and the co-operative principles mentioned at the beginning, housing co-operatives, more than other organizations in the housing sector, attach major importance to preserving established community and social structures. They fear, with some justification, that the allocation of homes to persons who do not fit into a co-operative might disrupt the community feeling and prejudice the co-operative spirit. This gives housing co-operatives a decisive edge on local authority housing organizations, whose purpose cannot be solely to look after the economic interests of their tenants.

Their main objective is to help solve local housing problems, i.e. to assist those households which are otherwise unable to afford a home. The municipalities and their housing associations are perfectly clear about the dangers of accommodating numerous problem cases in the same area.

On the other hand, they are at a loss about where to put the numerous people looking for accommodation. Those who accuse the municipalities of being bureaucratic, out of touch with reali-

ties and one-sided really ought to say at the same time what can be done with those who fail to meet the stringent criteria employed by the private sector. The number of such people is steadily on the increase. The touchstone for any housing policy must therefore be whether it can provide a solution for the greatest problem of urban housing.

The purchase of tenancy guarantees by the municipalities is a very costly instrument in this context, and a blunt one into the bargain. Landlords are perfectly aware of their strong position on the housing market and are only prepared to enter into such commitments, if at all, at a high price.

There remain guarantees against the loss of housing space and contractual tenancy arrangements with former non-profitmaking housing associations not run by the local authority. Many of them stated that they intended to continue in the same fashion after the repeal of the Housing Associations Act. Such agreements already exist, but they are not enough.

What is needed is not an increase in the numbers entitled to subsidized housing through an increase in income ceilings, but a tangible growth in the supply of such accommodation. We need new housing development in all its forms, particularly subsidized housing for rent.

### **Shareholders' Expectations**

Ever since they were first established, housing co-operatives have had to compete with other suppliers. With their situation in economic and social policy

terms growing more difficult, they were also faced with new and more demanding expectations from their shareholders. The latter were no longer satisfied with an affordable home free from the threat of eviction, but began to attach growing importance to the quality of the homes and neighbourhood and the provision of services. Competition forced the co-operatives to improve their services while keeping costs to a minimum. They tried to meet these challenges by joining together and appointing full-time managers to replace part-timers.

Along with this, however, they became increasingly detached from co-operative principles and came more closely to resemble other organizations in the housing sector. This trend was encouraged by a mounting lack of interest in values such as self-help, self-responsibility, self-determination and self-administration.

If co-operatives wanted to survive, they had to thoroughly rethink their mission and the strategies for its practical implementation. This became even more urgent after the repeal of the Housing Associations Act, which gave co-operatives the power to decide:

- \* whether they wished to maintain secure tenancy arrangements in the absence of the relevant legislation along the lines of the provisions their founding fathers had included in the charters of the housing co-ops and housing associations from the late 19th century up to 1930,
- \* whether they wished to be letting co-operatives exempt from taxation or would opt to pay tax,

\* whether they wished to make full use of their scope for action and organization. Given the high degree of familiarity with housing co-operatives among the general public and the growing support for their actions, they would be well advised to reinforce their traditional features and make them the focus of their business policy. They need to consider what steps can be taken to reinvigorate the principles described above, not to forget the non-profitmaking principle, and give them a new shape.

Every co-operative has to decide for itself to what extent it wishes to adhere to its non-profitmaking principles while being careful not to put its own survival in question. All housing co-operatives, however, ought to be granted a certain right to bring this principle up to date.

A model charter produced by the Housing Management Association allows housing co-operatives which are subject to taxation, and likewise feel their purpose is to act for the common good, to run, build, purchase and manage buildings of all legal statuses and forms of use. They are entitled to carry out work in the housing sector, town planning and in the field of infrastructure. This includes communal and associated facilities, shops and commercial premises, social, business and cultural institutions and services. They have the right to hold stakes in other companies.

As always in times of housing crises, there is a need today to provide accom-

modation for those who have traditionally been housed by co-operatives. This is underlined by the fact that many co-operatives have long waiting lists including the children and grandchildren of long-standing shareholders. They still depend on co-operatives to supply them with an affordable roof over their heads.

### **Better Legal Basis Required**

Three things are needed before anyone can start building houses, namely land to build on, money and, at least where non-professionals are involved, plenty of commitment and the readiness to embark on a road strewn with obstacles.

As far as building land is concerned, the local councils should show a greater preparedness to grant planning permission and provide space themselves for subsidized housing developments. In this context it is essential to ensure that the necessary discussions do not lead to decisions that only serve individual interests.

The fact that there are thousands of homeless in the cities today demands, if a solution is to be found, that decisions are taken which do not allow for the preservation of every straw and satisfaction of every whim. But the Federal Government and the Länder also have a role to play in solving the problem.

We need more predictable legal decisions on development plans and construction projects. It is an unfortunate fact that of late there have been increasingly frequent cases of housing projects being discontinued because of

complaints from local people and resumed only after the payment of sizeable 'indemnities'. Land development and building costs are becoming more and more expensive in large conurbations. Even when a large amount of equity capital is available, finance is therefore unimaginable in many cases. There are two solutions which suggest themselves here:

There must be an increase in public support for subsidized housing. However, the public purse is almost empty at the moment. Hence the need for higher equity investments in housing. It should thus be considered whether it might not be possible to raise what are presently very modest rents by an acceptable amount to provide funds for new rented accommodation. This would necessitate lifting the decree agreed between the *Länder* and providing for a five per cent annual limit on rent increases for accommodation belonging to the former non-profit-making housing associations. This would certainly make sense if it could be ensured that the extra revenues were used to build new homes.

### **Long-standing Tradition**

We should not forget the housing co-operatives in the eastern part of Germany. According to a survey conducted by the Housing Management Association, at the end of 1990 there were 655 registered co-operatives in eastern Germany with less than 500 housing units each and over 120 others managing fewer than 100 dwellings each. Many of these small co-operatives can look back on a long-standing tradition. The oldest of them

was established in 1893. About 150 co-operatives were founded before 1945 and so predate the German Democratic Republic (East Germany). In the former GDR, housing co-operatives were granted the right to use State-owned land free of charge for all time to build homes and the attendant communal facilities. The buildings became the property of the co-operatives, but not the land on which they stood.

Protocol No. 13 to the German unification treaty stated that the land used by housing co-operatives would be subject to Article 22, para. 4 under which the State-owned land used for housing would become the property of the municipalities on the accession of the GDR to the Federal Republic. According to the protocol, the municipalities are supposed to transfer ownership of the land used by housing co-operatives to the co-operatives themselves, with the requirement that it continues to serve the same purpose. Bearing this in mind, the housing authorities take the view that this transferral is not subject to the municipalities' discretion but rather a binding requirement. Councils cannot, they claim, evade this obligation by granting hereditary building rights free of charge and for all time.

The German Association of Municipal Corporations believes that neither the unification treaty itself nor the protocol support this claim to the transfer of ownership on the part of the co-operatives. There are no concrete stipulations as to how the transfer is to be effected or whether perfect or imperfect ownership is meant. Besides, the

formulation 'shall pass into ownership' and such like suggests that, given the persisting uncertainties about urban development strategies, the municipalities were deliberately to be left a certain leeway to decide what ownership or similar rights they wish to transfer.

Hereditary building rights are second only to ownership rights over real estate. When a municipality opts to grant housing co-operatives a hereditary building right, the latter are guaranteed all the powers they need to use the land concerned in line with their co-operative principles. In any case, a survey carried out by the Housing Management Association revealed that by the end of 1990 the transfer of land to the co-operatives had been either completed or at least started in 42% of cases.

The German Association of Municipal Corporations has stated in several complaints and circulars as well as talks with Chancellor Kohl that it doubts the legality of the Government claims in respect of pre-unification debts, giving the reasons why.

The moratorium until 1993 defers, rather than solves the problem of public housing associations in servicing their pre-unification debts.

Unless measures are taken to correct this consequence of the unification treaty, or Bonn undertakes to service the debts, local councils will be laden with an extra burden making it considerably harder for them to meet their actual responsibilities. Some councils

will be faced with debts which, in per capita terms, rank along with the highest in western Germany.

Even taking the average, municipalities in eastern Germany would face a higher burden than those in the western part of the country because of these pre-unification debts even if only the local authority credit programme loans are considered. On top of this, and despite the moratorium, creditor banks are now calling for interest on pre-unification loans to be paid at the market rates.

These existing burdens will have to be taken into account when considering the level of deficits which the local councils can maintain in the medium and longer term. The conclusion will be that there is hardly any scope for movement in eastern Germany.

That housing co-operatives have provided numerous people with an affordable roof over their heads when all else failed is a blessing we have enjoyed for over a century now, and one which must accompany us into the future.

The idea of a socially responsible society marked by solidarity, the core of the co-operative philosophy, is as valid today as it was a hundred years ago.

Perhaps it is correct to say that today it offers a greater opportunity than ever to solve some of the problems afflicting society at large because it helps people to help themselves, to pool their forces with others and leaves room for compassion.



# The Ludwig-Frank Housing Co-operative, Mannheim

by Claus Jürgen Hachmann\*

## The Housing Market

Within the European Community (EC) it is often difficult to find suitable and affordable accommodation, especially for those in peripheral social groups, such as low income households, single parents, the disabled, unemployed or foreigners. There are large differences between the number of dwellings available and that of the families and individuals needing to be housed. This gap between supply and demand will continue to grow because new construction is not able to keep up with the growing demand for new dwellings. It is thought that the single economic market of 1993 will only serve to make the problem worse, as the removal of restrictions regarding residency within the Community will increase migration.

The EC also recognizes that, in addition to having a roof over one's head, human dignity, social ties and self-determination are important. Within Europe, poor living conditions are acknowledged as the beginning of the process of marginalization.

---

\* Dr. Hachmann is Director of the International Relations Department of the Head Federation of Non-Profit Housing Associations in Germany, member of the permanent commission of CECODHAS (European Liaison Committee for Social Housing), ICA Representative to UN/ECE and an active member of the ICA International Co-op Housing Organisation.



In September, 1991, European Housing Ministers concluded that the number of homeless was increasing at an alarming rate.

Within the former West Germany, the German Tenants' Association claims there was a shortfall of about 2.5 million dwellings in 1992. Mannheim is a typical example of this housing shortage. In November, 1991 there were 5,600 applicants waiting for homes. Only about 1,000 of these can be allocated accommodation each year, so the waiting list is constantly growing. Such a problem of homelessness and poverty could easily lead to a dangerous situation as those affected become more and more desperate. Authoritative politicians see the co-operative solution as an opportunity to improve a tense situation.

In his report in the *Frankfurter Rundschau* on 20.01.86, Hans-Jochen Vogel claimed that joining co-operatives should counteract 'the drift to anonymity and the alienation linked to it'. He also recommended that States and Municipalities should help 'by surrendering land and unused buildings. They should also take the lead in insisting that the large non-profit-making housing organizations transfer housing stock, wherever the tenants themselves are in favour, to local co-ops. This is far more sensible than the open sale of social housing built at great public expense, since in the co-operative, the dwelling retains its social purpose and tenants are turned into self-administering co-owners'.

### **The Ludwig-Frank Housing Co-op**

In view of the housing situation, Mannheim council decided to transfer 400 dwellings, which had been scheduled for demolition contrary to wishes of the tenants, to a co-operative founded by residents and other interested parties.

On transfer, 25% of the homes were uninhabitable, but after a short period of repair and modernization the co-operative was able to make them available to the homeless. The remaining 300 dwellings already had tenants. They would have needed rehousing had the demolition been carried out, but were able to remain in their homes.

Finance for the project came from two main sources: a grant of 5 million DM from the City of Mannheim and a low interest loan of 4 million DM from the

Government of Baden-Württemberg under its general modernization programme. The co-operative also maximized its income by trying to keep as many properties as possible occupied throughout its modernization work and making efforts to avoid any other type of rent loss.

Modernization work and improvements within the area were extensive: existing single-glazed windows were replaced by double-glazed units with roller shutters and new interior and exterior window sills, sanitary facilities were replaced or provided where necessary and all dwellings were provided with central heating connected to the municipal district heating system.

Buildings were provided with insulation to improve their energy efficiency and many were given exterior cladding. In those buildings where the exterior has been renovated, intercoms have been installed to the main doors and letterboxes have been situated within the doors. Gas water heaters have been replaced with electric ones in many flats. It is planned that all heating will eventually be electric or connected to the municipal district heating.

As an 'ecological exercise' German and American military engineers removed 800 tonnes of asphalt and refuse from the school playground at Uhlandschule. This material was taken away to be processed and re-used for road building, leaving the land free for landscaping to provide play and educational facilities.



*Fitness training is part of the educational and recreational programme.*

### **Building Community Spirit**

Not only technical improvement, but also social and cultural development is necessary for improved living conditions and the harmonious co-existence of different cultures. Within the Mannheim pilot project, repair and modernisation went hand-in-hand with community work. The area has a high proportion of foreigners within its resident community, and this was taken into consideration by the project organizers.

A very important part of the plan to initiate and support a community life which would promote good neighbour relations was the erection of the Neckarstadt-Ost Community Centre. Opened on 14 September 1991, the centre employs two full-time (social edu-

cator and social worker) and one part-time (teacher) members of staff under a job creation programme. They were employed on a fixed-term contract of one year, but it is hoped that this may be extended as long as possible. In addition to the paid staff, there are 12 voluntary workers.

The centre provides educational and recreational classes for residents. There is a pre-school group for the younger children and homework supervision is available for children at school. Sewing and German language courses are organized for the adults. In addition to this, information sessions, discussions and tenants' meetings also take place. There are plans to extend the service provided with recreational courses, English classes and employment guid-



*Language courses and social gatherings form an important part of one of the project's chief goals, integration and tolerance among various ethnic and cultural groups.*

ance. All activities are free of charge to participants.

Integration and tolerance among various ethnic and cultural groups is one of the project's chief goals, and the centre's activities are very much part of this. In particular, the education of women is seen as very important because as their level of education improves, so does their willingness to contribute to the co-operative and to the community in general. For this reason a creche is provided for the adults' classes.

Language tuition assists in the aim of increasing communication between the residents of the area. Pre-school provision and the supervised homework

sessions help to ensure that those children for whom German is not the mother tongue can keep up with their peers at school. Investment in basic education is of great use not only to the individuals concerned but also to the national economy and to society.

### **Neckarstadt-Ost Community Centre Sponsorship Committee**

A sponsorship committee has been formed to take over when the centre's employment programme staff have to leave. Fund raising has been satisfactory to date. Membership subscriptions, donations and other cash totalled DM 30,000 in the first six months. However, these amounts will have to be increased significantly to pay personnel when this becomes necessary

so advertising and fund-raising will need to be organized.

The sponsorship committee has also helped with finding voluntary workers and has published a small brochure 'Who, what, how', the purpose of which is to find new members and to inform them about the activities of the centre.

### **Tenant Representatives**

Due to the heterogenous composition of the neighbourhood, project leaders considered that several paid and voluntary helpers would be needed to assist in solving any problems which might arise. Their plan was that each house would have at least one contact prepared to contribute a little extra time and effort for the community. Their function would be to represent the residents in their block and promote better information and communication, which should improve the atmosphere. On the Lindenhof estate it was decided that a basement room should be converted for use as meeting place. Notice boards have been put up in all houses so that news, details of local events, programme of the centre etc. can be brought to the attention of the occupants.

### **Impact of the project**

Although the scheme has made only a small contribution towards the housing shortage, it has had enormous significance for those directly affected. Although co-operative officers had been convinced from the outset that they would persuade all the residents to join there was some initial scepticism about the viability of the plan. Nevertheless, once visible signs of im-

provement could be seen within the area, and due to the effects of an educational programme, co-operative membership mushroomed and most of the sceptics have now been convinced and persuaded to join the co-operative. At the end of 1991, 97.5% of tenants were members. Only 2 commercial units and 10 dwellings remained outside the co-operative.

Members have credit balances with the co-operative of approximately DM 2,000 each. This is evidence of the members' determination to use their own resources to the maximum to ensure that low-cost accommodation is provided and that the quality of the housing is improved. Although social conditions are difficult, assistance has been given by the social welfare office and the Mannheimer Morgen newspaper's 'We want to help' initiative.

It was claimed that repair and modernisation would be just as expensive as new construction, but this has not proved to be the case. Refurbishment was by far the cheaper option and, as a consequence, the rents charged on the renovated properties are less expensive. Rents for a new building would have been DM 6.75 to 7.75 per square metre, with a rent increase of DM 0.40/m<sup>2</sup> every 2 years. Refurbished rents are DM 5/m<sup>2</sup>.

### **Outside Attention**

The Mannheim project has been at the receiving end of much attention from the media and from the general public. It has had frequent publicity in print, radio & television. In October 1991 it was awarded the 'Goldener Band' by

the Süddeutsche Rundfunk for outstanding work in offsetting racial tension and on behalf of the community in general.

The project has also been the subject of much discussion within the EC, and has been visited by the President of the Russian Congress of Cities.

Although it is not able to give the project financial support the Federal German Ministry of Housing has recognized Mannheim as a 'lighthouse project'.

### Conclusion

In October 1985, Jacques Delors, President of the European Communities, said 'The poor are among us and by tomorrow they could shake the foundations of society and plunge us into

disaster ..... Try to imagine what our cities will look like in 20 years if we continue as we are doing. We only need to look at the districts of some cities to understand that even now we are creating the conditions which aggravate poverty and force more and more people into marginal groups.'

He could equally well have said this in 1993! The Mannheim pilot project is taking the problem seriously, and the experience of the Ludwig-Frank Housing Co-operative could well benefit those trying to deal with the housing problem in other areas and in other countries. Further details about the project may be obtained from Gesamtverband der Wohnungswirtschaft in Cologne, FRG.



*Happy faces during hobby time!*

# Housing and Integration of Migrants

by Hans H. Münkner\*

*Following are the conclusions from the Symposium on Housing and Integration of Migrants held in Mannheim 23-24 April 1993*

The question if migration is a central, though also multifold, problem, which could be well illustrated by three examples.

The population pyramid is changing to the form of a mushroom, which means that the age disparities are accompanied by a continuous immigration.

As shown by the representative of the city of Mannheim, who is responsible for the integration of foreigners, the smaller the political administration unit is, the more serious the problem.

Foreigners represent 4% at the European Community level, 7% at the Federal level but as much as 13% at the regional level. The city itself has to deal with 19% foreigners, which means that one in five inhabitants of Mannheim is a foreigner.

There were 2.5 million immigrants between 1990 and 1992. There is still increasing pressure on the cities though insufficient financial resources. Exclusion from the housing market, however, would act against integration.

Foreign citizens already living in the FRG - in this respect there is a common agreement within the parties present in the federal parliament - should be integrated as far as possible while new streams should be limited. Housing is a central issue of integration. Intolerance of the original population should be overcome through information and personal contacts with the foreign neighbours. In this case the limits of integration have to be regarded.

There is an incomprehensible and overlapping competence in the public administration. Conflicts of interest have to be overcome at all levels. Political leaders are facing difficulty in elaborating concepts and in deciding how the problems of immigration and integration could be solved in the long run. Experience from the countries of immigration could be considered more closely.

In the housing field unfortunately there is a growing unsatisfied demand for social housing, leading to serious com-

---

\* Dr. Münkner is Professor at the University of Philipps-Marburg in Germany. A leading expert in company law, he specialises in co-operative legislation in developing countries and co-operative development in Europe.



petition among the waiting lists, thus disfavours socially weak sections of the population. Wrong priorities are leading to empty public coffers.

Short-term solutions are therefore frequently being sought for long-term problems, or it is intended to neglect problems of this kind (e.g. avoiding the term of "country of immigration"). Through scattering powers and competence on housing policy among different authorities at different levels, the search for solutions is not getting easier. The legislation on rents and subsidies is not adequate for the present needs. This is also true for the rules governing ownership of land. New urban settlements are urgently needed.

In the absence of adequate concepts of public authorities and initiatives the concept of self-help is becoming more important. Self-help forces should be mobilised, their readiness should be strengthened and the self-help capability increased. Mannheim is a successful example of that.

The motivation for an action in solidarity is mostly born from the desire for housing, and an improved environment. Thus a common interest grows among the members for a joint action programme. The non-profit association established for the promotion of the Ludwig-Frank co-operative shows that financial engagement could also be mobilised. Private initiatives are indispensable, which does not mean that public authorities have no role to play.

Assistance through co-financing personnel paid by the job-creation office (ABM-measures) and other instruments are, in many cases, pre-conditions for such a non-profit association for the promotion of co-operative activities.

Communal authorities are playing a very important role. Unfortunately they are inadequately equipped financially. A better financial distribution would be necessary in the FRG, especially in the difficult period of starting a project of self-help when the assistance of the communal authorities is essential.

An integrated urban development is only possible if the living environment of the inhabitants is improved.

There are enough occasions for common works of improvement. It is easier to introduce tenants' participation in a co-operative than in another housing association. The target is not only to reduce costs but also to increase the identification of inhabitants with their housing estate and to improve the intercultural understanding.

The example from Mannheim shows that it is also possible to win a group of very different foreign tenants and to use the possibilities of co-operation with communal authorities. As a pilot project for follow-ups in other regions, e.g. in the former GDR, the Ludwig-Frank co-operative is offering a series of good useful examples which could be put into practice in many parts of Europe and the entire world.

# Housing Co-operatives in the Former GDR

by Thomas Schaefers\*

In 1989 there were 7 million housing units in the former GDR according to official statistics. 41% were in private ownership, 42% were administered by communal housing associations and the State. Nearly all of this stock was erected as high-rise prefabricated buildings, and the average living space was a 3 room apartment with a floor area of 64 m<sup>2</sup>.

In 1989, 400,000 units were vacant because they were in poor condition. Most of them are still neglected. The necessary modernization and maintenance work is a huge task to fulfil. Generally, however, the quality of the co-operative housing stock is better than that of the communal and State-owned dwellings, as most of the co-operative housing units were constructed after World War II.

Nearly one third of all the GdW's member associations' housing in the former GDR is co-operative. The co-operatives in the former GDR are bigger than those in the former FRG. This is a consequence of the central planning system. The average co-operative has 1,600 housing units (900 in Western Germany), and the largest one administers 18,000 dwellings.



However, huge figures also mean huge responsibilities. Nobody can tell us the exact amount of money needed to finance renovation and maintenance costs for the prefabricated high-rise blocks, but some estimates put the figure in the region of two billion DM over the next few years. Additionally, there are huge 'debts' from the former GDR. 36 billion DM has had to be allowed for the deficit inherited from the former administration of the dwellings. In 1993, with compound interest, the debt will rise to 52 billion.

Housing associations had no influence over these debts, as rents had been frozen at 1936 levels. The GdW argued that these debts were not credit in the legal sense, and the Minister of Finance understands that the housing associations are not in a position to repay the sum involved. A 3-year

\* Mr. Schaefers is Chief of the Co-operative Department of Gesamtverband der Wohnungswirtschaft (GdW) in Cologne, Germany.



*Rehabilitated inner court in a housing co-op in Eisenhüttenstadt.*

moratorium has been agreed. Through the solidarity agreement between the federal government and the Länder, the problem will be solved after the parliamentary decisions in 1993.

Since October 1991, rents have been raised by 1 DM, i.e. they have doubled, and heating costs can be charged in addition to rent, subject to a maximum of 3 DM per m<sup>2</sup>. Individual subsidies can cover some of this extra cost. The transfer of land property is also a significant problem. Co-operatives are legally entitled to make a claim. Nevertheless, the unification treaty does not mention the conditions under which land transfer may take place. In many cases, legal documents about property titles no longer exist, or the last owners cannot be identified.

To sum up, we can consider a certain consolidation. In 1991, 60,000 dwelling units were modernized. This is, of course, a very small number and shows that the financial position of many co-ops is not yet sound enough for them to carry out even the most urgent work.



*Two examples of projects from housing co-ops in the former GDR show high blocks with prefabricated elements in Magdeburg (above) and modernised old housing stock in Weida (below).*

# Successful Self-help Housing Projects in Thailand

by Werner Wilkens\*

The wooden houses of Northeast Thailand are impressive constructions. Their roofing is watertight and protects them from the hot sun. They are not flooded during the rainy season because they are built on piles. This is a century-long building tradition. Why change it?

**New Techniques Used in Self-help** Building methods were subject to world-wide discussion at the Earth Summit in Rio. Deforestation is predicted to cause tremendous problems in the long term. It was agreed that alternative construction materials should be discussed and used.

FIAM (Forum for Integrated Agricultural Management), the partner organization of the German organization DESWOS, took this problem seriously and is organizing a self-build project to construct 80 houses, a community centre and co-operative shops with specially-made bricks, which it produces itself.

The system is very easy to use and is somewhat reminiscent of children's



building toy houses with LEGO. It is, of course, a reinforced construction with cement-filled gaps, but the brick-laying is easy, solid and progresses rapidly.

## **New Governmental Objective - Targetting the Very Poor**

The slum areas of Thailand are overpopulated, like those of many other Asian countries. The informal sector is, nevertheless, well organized. The people who are to benefit from the newly-built houses are found here: women from the local fruit markets with their children, small businessmen and craftspeople. They are all members of FIAM.

Pressing enough new bricks to build one house is a two-week job. 5,000

---

\* Mr. Wilkens is a sociologist responsible for Asian projects of the German Development Assistance Association for Social Housing.



*United teamwork is essential and leads to friendly and solid results.*

bricks are needed for each, and brick-making is a continuous task, as bricks are also sold on the local market to get funding for new projects. Self-help is not only an excellent means of saving money, it is also an extremely good vehicle for the establishment of friendships among co-operative members. The famous author, Saint-Exupery, said: 'Building together is the best way to become friends'. This Thai example is proving it.

Governmental officials have already come to look at the project and test the bricks. They were so deeply impressed that they want to use this technique for their own housing programme.

A small delegation from the ICA housing committee visited the project following the ICA congress.

DESWOS - The German Development Assistance Association for Social Housing was established in 1969 by members of the federation of German non-profit housing associations.

Faithful to the principle that co-operative and other ideas and methods of self-help are not limited by national borders, and in view of the growing housing needs in developing countries, the non-profit housing enterprises and co-operatives and their federations decided to offer experience, technical

knowledge, expertise and financial assistance through an independent organization.

At present DESWOS supports about 50 small and larger projects with an overall amount of roughly 5 million DM p.a.

The objective of DESWOS is not to build up branches in Third World countries but to provide help for self-help by establishing efficient non-Governmental organizations.



*Women are involved from the very beginning.*



*A solid construction and training on the job.*

# Co-op and Self-Help Housing in Latin America

by Claus Jürgen Hachmann



## Principles of Work

Since 1969, when German housing co-operatives and other non-profit housing associations founded the German Development Assistance Association for Social Housing (DESWOS) in order to promote co-operative and self-help housing schemes in developing countries, 60 projects in more than 20 countries have been completed or are in the process of implementation.

The work of DESWOS is a good example of the co-operative movement's international solidarity with the most needy members of society within de-

veloping countries. The cycle of poverty, homelessness and lack of education can thus be overcome. The precondition for such a process is the implementation of an integrated project which includes income generation, health care and the promotion of cultural life in addition to housing provision.

An essential part of the work is the education of children. Of course, the skills necessary for the construction work itself must be taught. Therefore, a reliable non-governmental partner organization is absolutely necessary.





*Local production of building materials is considered during the planning stage of the project.*

DESWOS carefully examines every application before a project can be granted funding. Two preconditions are seen as absolutely necessary:

- the project must be linked to a relevant development policy;
- the requirements of the European Community's Ministry for Economic Co-operation must be met in order to obtain the necessary public funding.

Fast help is the best help. This is the principle of the so-called mini-projects. These non-bureaucratic forms of assistance require a simplified procedure. They illustrate how techniques can later be adopted for use in larger projects.

DESWOS wishes to avoid the creation of any new form of dependency. For this reason, the local partner organiza-

tion must take advantage of all available opportunities for Governmental assistance. Only then will DESWOS help with additional funding.

The employment of local workers, the resolution of uncertainties regarding building land and improvements in the local infrastructure are the responsibility of the project families.

Another requirement is that the members of each target group actively participate in the planning process. This is a very important part of the work, because it leads to an identification of the members with their houses. Local production of building materials, bulk purchases, access to subsidized materials as well as discussion on the use of more economical technology are all considered during this planning stage.



*The co-operative "El AltoLimitida" is offering credits and other favourable services to its members.*

Once the project has been completed the families have to repay the funding provided by the partner organization, and this money will be used in follow-up projects. Inflation and individual repayment problems can, of course, postpone these repayments, but a revolving fund guarantees the continuity of the house-building project. Repayment of the money also ensures that solidarity funding is possible. If, for example, the husband dies, leaving his wife and children alone in the house, they will receive assistance from the co-operative. This is a tremendous difference from the situation where houses are privately owned, which, for most of these groups, would be impossible as the free market is not accessible to low income groups.

The following example illustrates the work of DESWOS within Latin America.

### **Housing for Bolivia's Poor**

When the 'El Alto' Credit and Savings Co-operative in Bolivia sent its first letter to DESWOS, 45 very poor families had to be taken from urban shanty towns to a new settlement outside the city of La Paz in the highlands of El Alto. That is how it all started. After four development phases, 320 houses have been built or are under construction. This is typical of the work of DESWOS: follow-up programmes are initiated as the result of a successful initial project. There is no doubt that the revolving fund alone is not able to meet all the project's needs. A new application for public funding from



*Income-generating measures are taken by the residents - they can sell the clay bricks which they produce once the project demands have been satisfied.*

Germany is currently being processed. Follow-up project applications have one great advantage: it can be shown that the project is likely to be successful.

Infrastructure improvements are also taken into consideration. El Alto's water supply could be managed by blocking a little mountain river and storing water in reserve tanks. Electricity is no problem, as industries and services are moving into El Alto. Cement producers and glazing suppliers are not very far from the project, so these goods are easy to obtain and the co-operative is able to buy at bulk discounts. Water pipes and canalization systems have been installed by the local authorities.

Income generating measures are taken by the residents themselves. They can, for example, sell the clay bricks which they produce once the project's demands have been satisfied. There is more than enough demand for such bricks, which are well-suited to the cold climate of the El Alto highlands, on the local market.

Additional handicraft and small agricultural projects, such as breeding poultry and other animals, are encouraged. Lama husbandry within the high mountains is a good way of combining animal farming with wool production and clothing manufacture. There are many different forms of income generating measures which are suitable for the climate and the culture of the peo-



*The children have a better future with a good education.*

ple. One thing is important: job creation is vital to the stability of the co-operative community once the houses have been built. Measures must also be taken to foster community spirit and promote satisfactory living conditions. In general assemblies, all forms of community affairs should be discussed and activities organized to create a harmonious environment.

The education of children is extremely important. The co-operative has built a primary school has been built by the co-operative and teachers have been engaged. A secondary school will follow. The co-operative hopes to be able to train the most able students in agronomy and other professional degrees. Land has already been set aside for this advanced training.

Even at this early stage we can see that people have changed a lot since they

have been working for their co-operative. And that is one of the most fascinating results of this work. Co-operative principles allow even slum dwellers to reach a high degree of organization, once they have received some assistance and training.

When the project's last phase, 'El Alto IV', has finished, our partner organization can be proud of its work. Within only five years the co-operative village has been finished, a community centre and a school built and job creating measures implemented.

Looking ahead, we are quite sure that this will be a demonstration project for the whole country. The El Alto co-operative is already on the point of embarking upon new activities in Cochabamba.

# Planning a Strategy for the ICA in Europe

by Arsenio Invernizzi\*

## Introduction

This document is the preliminary result of discussions held between September 1992 and January 1993 with certain members of the ICA, and subsequent reflection in the secretariat.

It attempts to define ICA action areas in Europe, which must be developed in close consultation with the European Co-operative Movements (ECMs), in preparation for the Brussels consultation of ICA member organisations in May 1993, which will be the first stage in the establishment of the new ICA structure in Europe, as approved by the Tokyo Congress.

There is no doubt that this task is particularly complex, since it must both respond to the needs of the ECMs and also keep in mind and strengthen the ICA's global role (which also depends on the active involvement of the ECMs).

It must also be remembered that the co-operatives in other continents are concerned that the ECMs could shut themselves up in a Euro-centric vision,



whereby east-west relations in Europe would dominate to the detriment of north-south co-operative relations, or relations with other continents.

## Situation Analysis

One must first consider the new political and socio-economic situation in Europe as well as the interests and internal situation of the ICA's European members, as well as their relations with the European Community (EC) and their national authorities.

## Frame of Reference

The elements to consider are:

- the initiation in 1993 of the European Union of the 12 EC-member countries (following the Maastricht

\* Mr. Invernizzi is Senior Programme Analyst at the ICA Headquarters in Geneva. This paper was a background document for the Brussels consultation in May 1993.

Treaty), with the problems and challenges which this implies;

- the requests for admission presented by most of the EFTA countries, and the creation of the European Economic Area (EEA) in 1993 (subject to the results of referenda in certain countries, such as Switzerland);
- the new and stronger relations with the Eastern and Central European countries (ECEC)—commercial and co-operation agreements, association agreements, the Phare programme, technical and financial assistance similar in nature to that provided to the developing countries, the European Bank for Reconstruction and Development, etc.

From a co-operative perspective, there are other considerations:

- the difficulties encountered by the Commission in establishing the European Union should give increased importance in the future to the Council of Ministers (and its technical secretariat, Coreper, in Brussels) and to the European Parliament;
- the EEA, and especially the eventual EC membership of the EFTA countries, will facilitate closer contact between the ECMs and the co-operative movements in Austria, Finland, Sweden, Norway, and Switzerland. (These five movements currently provide 24% of the ICA's subscription income, and several have important movement-to-

movement development programmes in collaboration with the ICA's regional offices.)

- The association agreements between the EC and ECEC, which provide the opportunity for significant transfers of financial and technical assistance, highlight the need for a higher priority to be given by both ECEC governments and the EC Commission to the needs of the co-operative movement (which is not now apparent), as well as a better capacity on the part of the ECMs to participate in these programmes—feasibility studies, co-financement of activities, participation in tendering offers, etc.—which in turn requires them to be in close contact with their members.

### The ECMs and the EC

This situation can be summarised as follows:

- A solid Brussels presence of sectoral organisations—Eurocoop (Consumers, since 1957), Cogeca (Agriculture, 1959), U.E.P.S. (Pharmacies, 1960), Ugal (Retailers, 1963), Association of Co-operative Banks (1970), AECI (Insurance, 1978), Cecop (Workers' production, 1979), Cecotos (Tourism, 1984), and Cecodhas (Housing, 1988).

These coordinating groups are part of the EC consultation committees. Some of them already include in their membership co-operative movements from non-EC countries, which will facilitate their eventual membership in the community. They have made the co-operative

movement much better known within the European institutions (Council, Parliament, Economic and Social Committee)—for example, the resolutions of the European Parliament in 1983 and 1987, the 1989 document of the Economic and Social Committee, and the European Co-operative Law of 1992.

- The existence of the CCACC (Coordinating Committee of the EC Co-operative Associations), created in 1982, whose main purpose is to strengthen collaboration among its members.
- The creation in 1991 of the European Club of Social Economy, an international association incorporated under Belgian law, designed to unite and promote the "économie sociale" in Europe.
- CIRIEC (the international centre for information and research on the public, social, and co-operative economy), whose objectives are to promote information and scientific research on the public, social, and co-operative economy.
- The presence in Brussels of the headquarters of the Belgian co-operative movement, coordinated by two intersectoral Federations, FEBECOOP and ARCOPAR, and the representation offices of other ECMs.
- A limited participation by the ECMs in the EC's foreign policy (through DG 1, external relations; and DG 8, Development). These two directo-

rates coordinate east-west and north-south relations, including the management of the Lomé Convention, agreements with other developing countries, and also programmes with ECEC. In this latter area the ECMs have become quite active, but their involvement in north-south programmes is still very limited.

- Nevertheless, many of the ECMs have their own development programmes, usually supported by their own members. These include the Plunkett Foundation and Clear Unit (U.K.), Cooptecnital and Mediacoop (Italy), Co-operative Centre Denmark, Rabobank Foundation (Netherlands), Crédit Coopératif and the Centre International du Crédit Mutuel (France), FCD and FOS (Belgium), CICOPA-France, and others.
- Outside the EC, there are similar institutions: Swedish Co-operative Centre, Royal Norwegian Society for Rural Development, and the Finnish Co-operative Centre.

There are many others as well. Some are NGOs, foundations, incorporated societies, or councils. Their common element is that they are non-profit organisations which work to support development in the South. Some are already partners of the ICA in its development work; others could become partners on the basis of joint agreements.

In conclusion, when the ICA establishes its decentralised structure in

Europe, it should pay close attention to those considerations which are priorities for its European members. The Alliance must therefore develop with them, and reach agreement on, the kind of activities and presence which would be truly useful, keeping in mind the growing tendency towards interdependence, regionalisation, and globalisation of political, economic, and social relations.

### **Approaches for an Action Strategy**

The definition of an ICA action programme in Europe should be based on the following considerations, keeping in mind the need for a firm agreement with its member organisations:

- recognition of the important sectoral work being performed by the European associations, which means that ICA should become involved in sectoral questions only on their request;
- support to the integration of other co-operative movements in the EC's sectoral and intersectoral organisations;
- emphasis on global and intersectoral issues;
- increased awareness by the EC of the important development role played by co-operatives, especially through movement-to-movement assistance;
- collaboration with ICA member organisations, as in other regions, in

order to develop a common strategy, examine the possible need for ICA presences in Brussels and Strasbourg, and explore opportunities for co-financing of projects.

These criteria should guide the ICA in the development of its European programme. At present, three fields of activity can be foreseen:

### **Further Development of European Co-operatives**

During the September 1992 I.R.U. conference in Belgium, there was considerable discussion on the needs and opportunities facing ECMs. These strategies recognise the new dimension offered by the European market, as well as the growing competition arising from this large economic area, which require more vertical and horizontal integration, partnerships, cross-border projects, economies of scale, etc. Another need is the development of a better "co-operative identity" through the practical application of the movement's values and principles and the strengthening of member relations, which constitute the most important heritage and comparative strength of the co-operative movement.

The sectoral associations, and their intersectoral coordinating committee, are the natural bodies for action and coordination in these areas. But could ICA also offer some useful help? Four kinds of collaboration could be envisaged:

- The strengthening of the co-operative identity. The ICA's ongoing discussion on co-operative values



and principles will be carried out in different regions and in different sectors. But an inter-regional and inter-sectoral exchange of experience and information should be of mutual benefit. Furthermore, modern media should increasingly be used to promote the co-operative image and services.

- An intersectoral and global vision of co-operative development in Europe. This could involve any of the themes of general interest for the ECs, such as the compatibility of sectoral interests, the approval and implementation of the European Co-operative Statute, and the comparative review of national legislation. In these and other areas a global, coordinated voice would carry more weight.

At the global, inter-regional level, there is a growing tendency to ask the Alliance to facilitate increased economic and commercial co-operation among its member organisations, taking advantage of the many meetings and assemblies which it organises for its institutional purposes. While never forgetting that the ICA is not a commercial organisation itself, it has a role to promote commercial contacts among its members on the international scene, especially at the inter-regional and inter-sectoral levels. Again, the principal partners of the Alliance in these fields will be the CCACC and the intersectoral groups.

- Joint international research programmes on common problems and

opportunities. The role of co-operatives in dealing with problems caused by the crisis of the welfare state, the collapse of centrally-controlled economies, and the introduction of structural adjustment programmes are all areas in which the ICA should be more active in the international debate, in support of the positions of its member organisations. In this area a future collaboration with CIRIEC is already envisaged. It will be important to know the priority interests of ICA members.

- Support to the process of decentralisation being undertaken by many ICA Specialised Organisations, in close collaboration with the European sectoral and intersectoral associations, in order to avoid the creation of new, parallel structures.

All of these areas of potential collaboration must be discussed in detail with the ICA's European members. Two important opportunities for this discussion will be the European consultation organised by ICA in May 1993 in Brussels, and the 4th European Conference of the Social Economy in November 1993.

### **Support to Co-op Development in the ECEC**

During the last three years the ICA, as well as its members and Specialised Organisations, have been active in this field, assisting co-operative organisations to compete in the new market economies and engaging in a policy dialogue with their governments. External support in the development of

modern, non-discriminatory legislation has been particularly important.

At present different sectoral projects are either underway or being planned by European co-operatives—in the field of co-operative banking, thrift and credit, insurance, trade, agroindustry, pharmacies, etc.—some with financial support from the EC's Phare Programme and others with the World Bank and the European Bank for Reconstruction and Development.

The ICA's international conference on privatisation and co-operative property (September 1992) identified two more important issues for the future:

- the necessity for increased democratisation of the co-operative movements in ECEC in order to strengthen their credibility with their national governments, whose support is necessary if they are to have access to external financial support; and
- the need to coordinate better the efforts made by European co-operatives.

In this regard, a new "network" of support to ECEC co-operatives was established in October 1992. Its main purpose is to match the needs of ECEC co-operatives and the expertise of western co-operatives, and to find the necessary project financing. This network will initially be situated in the ICA office in Geneva.

### **Co-op Development in the South**

In spite of the active efforts of many ECMs, their work in promoting co-

operative development in the South is both poorly coordinated and poorly publicised. This is equally true for the ICA, whose extensive development programme is primarily known in the regions where its Regional Offices operate. There are still many examples of countries in which different northern co-operatives are working without exchange of information or experiences.

As development remains one of ICA's priority global interests, the Alliance should logically play a greater role in promoting better coordination and collaboration among ECMs in order to:

- better publicise the positive results of co-operative development, not least among ordinary members of European co-operatives;
- make best use of available resources, which are generally declining in spite of the huge problems faced by developing countries;
- increase their possibilities of accessing resources from the EC and bilateral programmes, as well as their own members; and
- open a high-level policy dialogue with the Commission in order to increase its support for movement-to-movement forms of assistance.

At the ICA's Tokyo Congress, considerable attention was devoted to the development strategies necessary to promote more self-reliant, autonomous co-operatives in the South. It is clear

that the ICA's regional offices should become increasingly specialised in the techniques of self-help promotion, keeping in mind that "co-operative systems can only develop on the base of solid, autonomous co-operatives".

In the countries of the South there is a continued need for the development work of the ECMs, which must be supported by spreading information about their positive accomplishments and their potential for even greater future success through better coordination and collaboration.

Only after an examination of the results of this work will ICA decide whether it should present requests directly to the Commission for co-financing of projects. On the basis of preliminary analysis, it does not appear appropriate or necessary to do so immediately. ICA's first priority should be to promote and publicise the development work done by European co-ops, which is generally little known by the Commission and even by the movements themselves, and to strengthen/establish collaborative relations with and between these organisations.

# The Privatisation of the Agricultural Bank of Greece and its Effect on Co-ops

by Stavros Mariadis\*

## AGB Goes Private

Greek rural co-operatives are the only ones within the European Community which have never had a Co-operative Bank of their own. Since their legal recognition in 1914 they have had to borrow from State banks: the National Bank from 1915 to 1929, and the Agricultural Bank of Greece (ABG) thereafter.

Many and various problems have been encountered in the relationship between the State banks and the co-operative organizations (for further information, refer to my study of 1987<sup>4</sup>). Now, however, the Government has announced that the ABG is to be converted from a State bank to a private speculative bank.

Could the privatisation of the ABG have as its goal opening the co-operative sector to speculative capital? I have been very much aware of this risk throughout the 25 years of my scientific career. My fears increased whenever I encountered the ABG and its

associated bodies because I have never been able to understand the direct interference of the State in the co-operative field through the ABG, given my belief in the Principle of Co-operative Neutrality.

## Will Privatisation Solve All?

In recent years, the Greek economy seems to be increasingly geared towards the privatisation of any area in which socialism is considered to have failed. Such failures come as no surprise since they were forecast from the earliest days by representatives of co-operation. However, it does not follow that privatisation will be able to solve all economic and social problems. It is a well-known 'secret' that the capitalist economy is subject to diseases which attack the economically weak. Although this was indicated by the same social reformers and co-operators of the last century, their arguments were deliberately ignored. Such a theory, however, is not the subject of this paper.

Private initiative according to the philosophy of maximization of profit at any cost is not innovative: it is an old and deceitful myth which promotes

---

\* Dr. Mariadis is a specialist in agricultural co-ops and Professor of the Institute of Technology in Thessaloniki, Greece.

uncontrolled speculation. However, 'private initiative' also includes the co-operatives, which are especially integrated and socially fair as regards income distribution, since they are not limited to single individuals or to a small number of economic units but involve wide collective socio-economic forms. Therefore, we say a resounding 'yes' to private initiative. But why promote individual speculative initiative rather than collective non-speculative initiative which gives equal opportunities to all citizens for their economic and social wellbeing? We should view the matter of the ABG's privatisation or, in other words, its conversion from a public benefit institution to a speculative one, within the framework of the above reasoning.

### Historical Background

Let us first examine for whom, and with what aims, the ABG was established. The ABG was founded in 1929 by the State to serve the interests of the rural people by granting loans and also to support them in every way: material and moral. This was, and still is, something unique, both within Greece and in other countries.

However, the ABG was established on the grounds that it would, one day, be handed over to the rural co-operatives. This was stated by Iasemidis, who introduced the bill for the foundation of the ABG in 1929. Iasemidis believed that Greece needed an agricultural co-operative bank. However, he did not consider the Greek farmers to be ready for such a development at that time, so he suggested that the Government should establish the ABG, the farmers

would mature over the years and after a reasonable time the bank would be handed over to their co-operatives. Iasemidis stated that 'It should be clearly understood that the formation of the Agricultural Bank, besides being necessary, will accelerate and also facilitate the gradual transformation. He also foresaw, in due time, its conversion to an Agricultural Co-operative bank, or the formation of such a bank, so long as this would contribute to the rapid development of co-operative solidarity and consciousness' (Klimis, 103-1950)<sup>2</sup>.

One is thus led to conclude that the ABG, after 60 years in operation, should already have been passed over to the co-operatives and converted to a co-operative bank. Instead of this normal ending, which the farmers have been awaiting for six decades, the facts seem to lead us to a diametrically opposite solution.

To return to the question of whether, through the privatisation of the ABG, speculative capital will be able to penetrate the co-operative field. Let us be more specific:

### Stocks and Shares

The ABG currently holds stock in over 30 co-operative limited companies of the 100 or more which operate within the rural co-operative field. Indeed, it fully controls most of them by owing 51% of the stocks. As a result of its privatisation, the ABG stocks will be passed over to private speculative capital and will automatically control most of these limited companies. It is also likely that control of the remaining co-

operative limited companies will be lost to the private sector, since they are already badly in debt. Whereas the whole process will be seen as a 'restored post-development' of the ABG and its subsidiary companies by the Government, for the co-operatives it may mean not only a necessary change of course but also an enforced alteration of their co-operative physiognomy.

Given the above, there can be no doubt that the protests against the privatisation of ABG were, and still are, absolutely justified. Examples of such protests are seen every day in the mass information media. In the meanwhile, questions have also arisen in the field of co-operative theory.

Why, then, is the ABG to be privatized and not given to the co-operatives? A transfer of power to co-operative hands should have been expected since this was, from the outset, the intention of the bank's founders. Where is the justification for its privatisation? We do not think that the usual measures used to remedy the ills of problematic companies can be applied in the case of the ABG. Moreover, there is a reason for, and a sense in, handing over the ABG to the co-operatives. The reason is that this was an old, but still valid, written promise of the State to the farmers, renewed from time to time by previous Governments. This must be realized at last. There is also sense in the farmers' demand for the acquisition of the ABG. If the ABG suddenly denies its social character, distances itself from the farmers and becomes like any other speculative bank, on which credit in-

stitution can the farmers rely for their existence? If this happens, the Greek rural population will, as previously stated, be the only one in the European Community not having its own co-operative bank. So why, during these hard times, should the Greek farmers be the first victims of a 'privatisation' over which they have had no control whatsoever?

### **Agricultural Bank of Cyprus**

Besides, we must not forget that the early history of the Agricultural Bank of Cyprus was very similar to that of our ABG. However, it was handed over to the co-operatives over two decades ago, smoothly and without any particular problems (personal interviews, 1976), becoming the Co-operative Bank of Cyprus.

The solution that KYDEP is seeking (see *Ethnos*, 16.11.90)<sup>1</sup> must, in our opinion, be rejected outright because any discussions would mislead the rural population. Another option would be the co-operation of KYDEP with a co-operative bank from the European Community, or the establishment of a co-operative bank by a tertiary co-operative organization such as KYDEP. Such a thing is alien to the co-operative nature, since co-operative banks are always established at grass-roots level: in other words by farmers and their primary credit co-operatives. Only in this way can they withstand the test of time as co-operative bodies.

We would like to stress that the foundation of a co-operative bank from the bottom up, based on primary credit co-

operatives, was also anticipated by the first Law 602 of 1914. More specifically, article 6, paragraph 3 states that 'A credit co-operative having its seat in the Community may bear the name 'Agricultural Popular Bank of the Community.....' or 'Popular Bank of the Community.....' or 'Agricultural Fund of the Community' along with the initials Co-operative Pty. Limited or Co-operative Limited Company'. These primary co-operative banks were similar to the Schulze-Raiffeisen, Volksbanken and Landwirtschaftliche Kassen, which are still successful in operation in Germany.

Based on this model, the Greek lawmaker was aiming to form a pyramid-type organization with the Panhellenic Co-operative Bank at the top. However, the ABG, instead of providing the prerequisites for such a co-operative institution, has promoted itself to all posts. The outcome of this was that the credit co-operatives remain underdeveloped and dependant, restricted to an anti-productive role, i.e. intermediary between the ABG and the farmers.

Once again, we wish to point out that the establishment of a co-operative bank from above will result in a bank which is successful in itself, but which is never really accepted by the movement as a whole. In other words, the experiment which occurred with the ABG will be repeated in detail as well. The bank, having pre-secured a plentiful and secure clientele, the farmers, will have succeeded as a bank but will have failed to meet its initial objective since it was never sufficiently tied, or-

ganically and emotionally, to its customers, as was presumed by its foundation statute.

At this point we will stay a little more: we believe that all those problems which prevented the ABG from being given to the farmers during the 1920s have been resolved, and that the State must proceed without delay to the realization of its 60-year promise: to facilitate the handing over of the ABG to its natural acceptors, namely the agricultural co-operatives. So, the Greek rural population will acquire what it had expected for some decades, a co-operative institution similar to those which have existed, effectively, in the other EEC countries since the last century. Certainly, generous assistance will be required from the farmers.

### **Will Farmers Support Bank?**

We hope that farmers will consider the facts rationally and then support the bank by purchasing two additional shares (i.e. 50,000 drachma): after all, they would then have their own bank, in both financial and ideological terms. They will support the bank at any cost, as long as they are aware that there are no other limits and that this will probably be their last chance to control such an important field of business.

The existing ABG infrastructure could easily be made use of were the bank to be handed over to the co-operatives. ABG sub-branches throughout the country could become the secondary co-operative credit institutions, having as their members the primary credit co-operatives of the region which they

currently serve. There would be no special problems in establishing the Central Co-operative Banks, one per geographic region, and above these would be the Panhellenic Co-operative Bank. The central branch of the ABG in Athens could be converted to this.

Only by such a transfer can the historical institutional chapter which was opened in our country some 60 years ago be closed. The announcement of the Minister of Agriculture (see *Makedonia*, 24.11.90)<sup>3</sup> that the ABG will offer to sell 49% of its stocks to the co-operatives must be regarded with the utmost scepticism. In our opinion, the conversion of the ABG to a State-Co-operative bank will perpetuate the unresolved problem instead of solving

it. The reason for this is that Governmental control over the institution will permit the direct interference of the State in co-operative affairs.

Finally, if the State is really seeking a solution to this problem, as evidenced by the announcements of its Ministers, it must encourage dialogue accordingly. Greater, more in-depth dialogue is needed so that this serious institutional problem can be satisfactorily resolved.

The establishment of the Agricultural Bank of Greece took more than five years of talks among the interested parties and theoreticians (1925-30). Perhaps five years is too long nowadays. Nevertheless, any hasty decision should be avoided.

#### Sources

<sup>1</sup> *Ethnos* newspaper, 16.11.1990.

<sup>2</sup> Klimis, A, 1950, *Agricultural Credit*, Athens.

<sup>3</sup> *Makenonia* newspaper, 24.11.1990.

<sup>4</sup> Mariadis, S, 1987, *Topics on Co-operatives and Agricultural Policy*, Thessaloniki.



# Latin American Experiences

by Arsenio Invernizzi

During the last three years I lived in Latin America I wrote a number of "activity reports", and I have now been asked to write an article summarising my experience in Buenos Aires of the ICA project involving the setting up and opening of the South American office. It was immediately apparent that the reports that had been carefully filed in the ICA headquarters in Geneva would not be of much use, as they would be difficult to edit or summarise.

This is due to the fact that the reports are now quite out of date. They were often diplomatically "toned down" or written for in-house purposes and thus could not be of much interest to a wider readership whose aim would be a clearer idea of how co-operatives function in South America, and the purpose served by co-operatives scattered over several continents.

For this reason I have decided to write something new, based on my own personal experiences and on the most significant facts. Although I had spent some months in Latin America on business trips, I found that when I actually had to live there I was faced by issues of an extent and type that I had not previously encountered - in fact, the

Latin American way of life and the characteristics peculiar to it were a complete novelty to me. I realised as soon as I arrived in Buenos Aires that my knowledge of the co-operative movements in the region and of the history and customs of South America was extremely patchy.

So I had to learn a great deal about the countries I would be living in as quickly as I could. I needed to start with Argentina, then go on to Chile, Paraguay, Uruguay and Brazil (for my final year) where business activities were concentrated. It required considerable effort on my part to learn what was going on in the region, and try to piece together past events and understand the current situation, including daily life and behaviour. Without this background - which I needed to assimilate very fast - I felt I would be at a distinct disadvantage when dealing with the managers of the various co-operative movements, and would have little to contribute.

What was even more difficult was to try and reconstruct the recent history of South American co-operative movements, which was complicated by the change-over from the dictatorial regimes typical of the seventies (some of



*Meeting with leaders of Consumer Co-operative Bahia Blanca, Argentina, 1992.*

which had lasted over ten years) to democracy.

Generally speaking, the co-operative managers were unwilling to talk about the recent developments which had affected their movements. The few profiles that had been written on co-operatives were largely over-indulgent, and based on scanty unreliable data. Annual reports and balance-sheets were significant more by default than for their actual content, and in any case did not provide specific breakdowns for useful analysis.

After a few weeks spent reading the most suitable sources of information I could find, I decided that in future I would rely on oral confidences made

to me by personal contacts during the course of my business (1).

Broadly speaking, the philosophy of co-operative managers as outlined below conditioned their pattern of behaviour :

- the "diagnosis" of the situation in which co-operatives found themselves was clear enough, though the "cure" was more difficult to identify;
- the causes of the critical situation of co-operatives and conditions for their future development relied almost entirely on external factors, and thus the co-operatives themselves could have little impact on them. Such factors included the Government's monetary and fiscal

- policy and the protectionism exercised by the wealthier countries; the unavailability and excessively high cost of credit; the lack of interest by the "strong" co-operatives, and so on.
- therefore the problems had to be solved externally, meaning by government incentives, financing and credit lines, tax relief, etc.

It was implicit in this version of the facts that the ICA's office in Buenos Aires would play an active part, by mobilising the resources of the "rich" co-operatives in the North or obtaining finance from international sources.

I admit I was rather bewildered by this appraisal of the situation and the related problems, because it meant that there were excessively high expectations of ICA. The other questions I needed to answer were the following:

- Why was it that correct problem analysis did not lead to adequate corrective measures? Perhaps because the analysis was only partially correct, and therefore flawed?
- Why were "miraculous" solutions being sought in the form of unfeasible financial assistance without the support of adequate technical and financial studies?
- Might this problem-solving by external forces not point to managerial ineffectiveness, as managers were unwilling to recognise the internal causes of the crisis in some co-operative sectors and firmly rejected any criticism of their own role?

- How should one rate co-operative movements which only wanted to defend what they had achieved over time and which left the promotion of new co-operative sectors to the State, trade-unions and local communities, knowing full well that they could often not do this properly?
- Did this not point to the possibility of an acute and imminent crisis in co-ops, just now that the worst of the political and economic crisis was past and there was a general return to democracy in all the countries in the region, together with a certain degree of economic stability which was beginning to hold after years of galloping inflation?

These first impressions of mine were confirmed by certain facts and events which I still remember today because they astonished me so much. For instance, a management team from a movie-making co-operative wanted to meet me so they could ask the ICA to finance a historical film they intended making - which would of course be a great hit - based on "the Alcorta cry" that had given rise to this Argentine co-operative.

The village where the film was to be shot had already been reconstructed, hundreds of bit actors were waiting to go on the set, famous actors were on the point of signing contracts, and so on. It was guaranteed to be a sell-out - a box-office success. They only needed \$500,000 to produce the movie and distribute it all over the world, starting with alternative cinemas.



*Carpenters' co-operative in Argentina.*

A similar case was a group who styled themselves "co-operative consultants" who wanted to carry out a feasibility study for co-operative movements in the region, and which could be financed "internationally". Due to the lack of accurate data available on the functioning of co-operatives they suggested carrying out a survey which would take 3 to 6 months to complete and would require fees to be paid. But they "vanished into thin air" when they saw I obviously had doubts about the method they proposed for carrying out the survey and when they heard my "risky" counter-proposal: I would pay their expenses while the study was being carried out, and I would undertake to use their services for the two years it would take for the project to be completed - once I had obtained exter-

nal financing. At that point they were no longer interested, as their plan was based on UN expert mentality.

It appeared that the implications of the assessment of the situation as outlined above was shared by the managers of many co-operatives. Often without any literature about their businesses they would come to me and propose joint ventures with co-operatives in the North, who were to provide the venture capital which would be paid back over time by the products exported. But the majority of these co-operatives had only a limited production capacity with little value added and a lack of proper control over the costs and quality of their products. Basically, they were not able to control the production line let alone manage the business.

In the meantime, despite these episodes and repeated urgent requests for "miraculous" intervention, I had managed to set up a regional head office and find a house for my family, who had arrived in Buenos Aires (2). However, the time I had assigned myself to find out what exactly needed to be done had now run out.

At this point I decided to concentrate on designing a project which would take three or four months to complete as a means of assisting the co-operative movements in the region, and which I would ask the EEC to co-finance. The thrust of the project is encapsulated in the title with which it was presented to the EEC: "A regional programme of management development for co-operatives in South America", Buenos Aires, December 1990.

The aim was to set up theoretical and practical training schemes for an initial group of co-operative managers to include topics like feasibility study assessment, regional and international trade, information systems management and strategic planning, with staff exchanges at regional and international level. In note (3) is an excerpt from the project regarding the assessment of the main shortcomings of the co-operatives which the programme attempted to tackle, at least partially and experimentally.

Generally speaking, the assessments of the co-operative scene on which the project was based did not correspond to those made by senior executives in the co-operative federations or co-op-

eratives themselves. They were discussed in Argentina, Chile, Paraguay and Uruguay by certain co-operative managers who declared them accurate and adequate, but to my way of thinking they said this for two reasons.

Firstly, they could be used to obtain co-financing from abroad and secondly, as these assessments were regional, the co-operative managers of each South American country obviously thought that the comments referred to co-operatives in other countries, not their own. However, they all agreed on one thing - the assessments were over-pessimistic.

Meanwhile, negotiations for co-financing from the Services of the EEC Commission - the Directorate-General for Foreign Affairs and the Training Service - were proceeding slowly but surely. The amount of finance requested was about 500,000 Ecus, which was not a large sum considering it covered all the requirements of the co-operative movements in the four South American countries.

In July 1991 while I was on a mission in Europe, the EEC Services confirmed they were willing to provide co-financing, and asked me to draw up the necessary documents for the Co-financing Agreement which the Cecop (European Committee of Workers' Co-operatives) would sign on behalf of the ICA - still virtually unknown in the Community.

On 29th August that same year the contract documents were sent off and the project in favour of South Ameri-



*Bahia Blanca Co-operative Shopping Centre in Argentina.*

can co-operatives was now official and due to commence shortly. But on the 8th October a letter arrived from the EEC Commission saying that owing to "budget difficulties" it was not possible to provide the finance for the current year, and if we wished we could present the project again - after re-drafting - "for other possible financing".

Despite the tactful way the letter was couched, the thrust was clearly negative. There was no point in complaining, given they held the whip-hand and also because we did not want to compromise possible future co-operation between the EEC and the Alliance in developing countries. It was a terri-

ble shock, which provoked outright criticism of the ICA Project Office and severely shook its credibility, above all as the managers of local co-operatives had conceived of it, namely as being a means of obtaining external finance - its principal and possibly sole function. So it was back to square one again.

Fortunately, a partial solution emerged fairly swiftly in the form of finance offered by consumer co-operatives in Tuscany, who provided the ICA Project Office with \$50,000 to finance small-scale investment projects for co-operatives in production or services in the region. This aid was followed by more in subsequent months from the French co-operative group via CICOPA (In-



Photo: Alicia d'Amico

*Fresh produce co-op on Mar del Plata, Argentina*

ternational Organisation of Industrial, Artisanal and Service Producers' Co-operatives) and from the Italian co-operative group via the LNCM (National Co-operatives League), for a global amount of more than USD 190,000.

So we were safe for the time being, though we were criticised continually by those co-operative groups who had not been allocated any money or who thought the \$200,000 in external aid which had been given to us was just a drop in the ocean. However, criticism began to wane when we began to implement the schemes that had been financed. It was clear that many co-operative managers found it difficult to plan co-financed intervention at

operational level, to prepare exact budgets for expenditure and internal reimbursement of the funds they would receive (I decided that the co-operatives who were beneficiaries should reimburse that proportion of the funds earmarked for investment in production), to identify some viable co-operative investment projects which would be in line with the objectives set out in the programme documents.

The financing we had obtained would obviously not provide a miraculous solution to the critical situation nor to the detachment of the main co-operatives from the many local federations who were incapable of providing any effective service to associated co-op-

erative ventures, as indicated in the summary assessment of the situation on which projects were based and which claimed to supply a partial solution.

Some of these co-operatives started to build up a more constructive relationship with the ICA Project Office, and consequently this became the most interesting period of my work in South America from a professional point of view. There were more frequent visits and contacts between the managers of the main co-operatives, joint drafting of projects, meetings with co-operative banks to ensure projects could be financed, and so on.

This was how I discovered the sunny side of the South American co-operative movement: people with experience and clear ideas about how to improve the viability of their own co-operatives, about how to get their members to participate more effectively, and to carefully assess the risks that being in debt involved.

Naturally, this needed a sense of responsibility and meant taking personal risks. However, the results have been very promising. The co-operatives who have received small loans for investment or as working capital have paid it all back to the last penny. This has enabled the ICA Project Office to set up a small Promotion Fund for new projects, and has meant that co-operative banks or credit institutions could experiment with non-traditional forms of credit and business promotion based on the viability of the projects more than on the guarantees of their assets,

and prove that in fact they are different from other financial institutions.

A seed had been sown which needed carefully tending if it was to grow, if new methods for promoting co-operatives were to spread and if the co-operative federations were to learn how to provide new services, which is vital if businesses are to hold their own in increasingly competitive markets.

Meanwhile, the crisis which had been looming in some traditional domains of the co-operative movements came to a head unexpectedly.

One of the most important of the insurance co-operatives - the Transportadores Unidos - had to be wound up, and the Banco Cooperativo Roca was suspended from clearing by the Central Bank of Argentina. The Roca bank was owned by the consumer co-operative El Hogar Obrero - the largest consumer co-operative in Latin America and one of the oldest enterprises in Argentina, enjoying much local and international esteem, and incidentally the provider of the premises for ICA's Project Office. The suspension clearly pointed to the deep waters El Hogar Obrero had got itself into due to debts. It had no choice but to convene its creditors (members who had loaned money, suppliers and banks) seeing it could not guarantee the normal functioning of the supermarkets with its own resources, nor the repayment of debts contracted nor the payment of salaries for over 11,000 employees. The fact that Faca (one of the major farming co-operatives in Argentina) was also heavily in debt made headline news.



The most significant cases were public dominion. They showed that a large proportion of co-operatives had used up their energy and resources trying to ride the storm of inflation and crisis.

A new phase was about to begin which would need a shake-up of management and also of entrepreneurial and co-operative working methods. The challenge is now being met to salvage what is left of the co-operatives in crisis and to swiftly restructure those that could become critical in the future if the necessary measures for re-organisation are not taken (4).

There is much more which should be mentioned, including many positive examples of co-operative ventures. I shall give some examples of these, so as not to give the impression of a totally negative picture.

Of great importance are the Argentine co-operative banks which have given rise to the ICA Regional Banking Committee of Latin America. The major problem affecting co-operation that had to be tackled was the ideological barrier that existed for historical reasons between the Instituto Mobilizador de Fondos Cooperativos and Febancoop, a barrier which began to come down when the decision was taken to talk about the real problems they shared - technical and financial ones, efficiency, capitalisation and diversification of services (4).

A positive experience is the housing co-operatives in Chile, which build more than 20% of low-rent housing in the country, and which have an inter-

esting configuration, including self-financing and State loans.

The Asociacion de Cooperativas Argentinas is very dynamic, able to compete effectively in the privatisation process of public sector cereal transportation in competition/alliance with the large transnational companies.

A capacity to win through has been shown by the Argentine insurance co-operatives, who have been able to benefit from the privatisation of reinsurance by setting up constructive inter-cooperative collaboration at international level.

Problems still to be solved lie in the difficulty of mobilising co-operatives in the North (Europe, Canada, the USA) as far as trade and business co-operation is concerned.

Personally, I must admit that I have not been able to convince the Italian co-operatives to move in this direction (though they have financed the regional head office to help encourage business promotion). In fact, it was easier to enlist the support of the Italian consumer co-operatives than to persuade them that good business can be done with co-operatives in South America! From this point of view, it is hoped that decentralising the ICA will foster greater co-operation at continental level.

The lessons to be learned from my Latin American experience can best be expressed through some issues which are the basis of an ongoing debate in

the region, and about which I shall give my personal opinion.

### 1. Open door

Intervention by the ICA's regional head office must not be limited to "institutional" type assistance to co-operative movements. If this aspect of co-operative development is to continue to be part of the ICA's planned activities it is increasingly clear that there is a need to diversify co-operation intervention to make it more effective with more direct contact to be achieved with the main co-operatives. This means that the ICA offices must have an "open door" policy for any co-operative manager who wants to find solutions to open-ended problems or to pool experiences with others. Ways and means must be found to promote "self-development" of co-operatives so that the Federations can fulfil their institutional role more effectively.

### 2. The hour-glass

The shape of the hour-glass is a good indication of how decision-making and dissemination of information should take place in the different types of co-operative management. In this respect, might it not be a good idea to take courage in both hands and turn the pyramid structures of management on their heads, thus inverting the hour-glass?

In fact, members' participation and control now seem increasingly indispensable for breathing new life into co-operative ventures and encouraging capitalisation and self-financing. It is up to the managers to find practical ways and means of giving more re-

sponsibility to those members who want it. Modern technology and information systems make this possible but they can also centralise information and decision-making. This means making coherent choices about how to use them.

### 3. Inter-cooperation

This principle is rarely used and sometimes misunderstood in Latin America, where it has been replaced by the concept of "co-operative integration" which implies integration of, or between, sectors by co-operatives in the various confederations and federations - largely a pyramid configuration. To perform the services which the co-operatives require the federations should be the end-product of greater inter-cooperative collaboration and not the contrary, with excessive power "at the top" and hampered by red-tape - patterns which will end up by choking off development. The hour-glass concept is preferable.

### 4. Conflicts

In Latin America they are upset by criticism, which they see as the first step towards possible conflict, and which frightens them or which they refuse to accept. Latin American history in the last twenty years is studded with conflicts - some self-destructive, terribly violent and irreconcilable - but despite appearances history shows how counter-productive it is to ignore conflicts and reveals the inability to tackle them in time and the lack of settlement in the overall system.

There is a need to look at criticism with detachment and see it as positive from

the point of view of the progress, not as the beginning of unsolvable conflict. This is true for the co-operative movements too.

### 5. Co-operative promotion

Co-operative movements have no prospects of consolidation and development if they do not assume co-operative promotion as their fundamental strategy. This is true for a number of reasons. Firstly, because they risk losing their credibility - vis-a-vis public opinion and a range of different public and private institutions - if they do not work together to solve the new problems of the society in which they operate. Secondly, because they end up calling into question their own development prospects, with the risk that co-operative interests will be passed over in favour of corporate ones.

### 6. Projects

The ability to devise and assess projects is a serious problem in developing countries (and in the underdeveloped regions of industrialised countries). This problem can certainly not be solved by passively applying the rules to be found in the plentiful (and usually mediocre) handbooks in circulation. The latter should only be seen as a basic tool for analysis and assessment. Each project is different from the next, as regards the kind of activity, the perspective, the people who are protagonists or recipients, the scanty or abundant capital to implement the project and its source, the context in which it will be created and developed, and so on.

This is, of course, also true for co-operative projects, where it is necessary

to employ "participative" types of planning through existing or potential members, reinterpreting modern management criteria in relation to the specific characteristics of each project and the type of co-operative management.

### 7. Capital

There are too many co-operatives in Latin America who rely on bank loans as a matter of course. The situation is getting worse due to the diminished value of capital paid up by members and of the accumulated reserves. This is due to inflationary processes and has led to a refusal of liability by members who are not willing to accept business risks.

Therefore, it is essential to revitalise campaigns for capitalisation and self-financing for co-operatives, which can be successful if a new role for members is also invented, seen to be a reward for taking on greater liability for business risks.

This is a summary of my personal views, though I have not been able to prove their validity in practice. It should be regarded as a contribution to an ongoing debate which should be encouraged in the co-operative movements. The future application of these ideas should obviously be gradual and flexible, in line with the individual circumstances of each co-operative or federation.

### Notes

(1) Though this may be considered negative (in terms of time and cost) for the co-operation programme with the co-operative movements of South

America, the presence of an "outsider" (ie someone who is not an integral part of the local co-op movements) has distinct advantages initially. This is due to the fact that it guarantees that an interlocutor is available who is not an interested party (meaning that he does not have or is presumed not to have interests to defend in specific issues or areas) and who has already had experience of similar situations and can facilitate an exchange of experiences.

In reality, an "outsider" is often very difficult to accept, precisely because he works independently and enjoys a greater amount of discretion in decision-making. "Insiders" usually try to court him or condition him so that he will take sides with one faction or the other; alternatively, he may be the object of unrealistic expectations because people rather naively think that anyone from outside can wave a magic wand and solve impossible problems or pull sufficient funds out of a hat to tackle any situation.

(2) Setting up the ICA Project Office and the search for a home for my family (who were coming out from Italy) were two particularly useful and reliable ways of finding out how (and if) things worked in Argentina. The various equipment I needed was in plentiful supply, of good quality and cheap in comparison to international prices but when it came to services, things were more complicated and expensive. For example, one must beware of buying a fax or washing-machine without having a written agreement about carriage and installation. It could cost 20% extra on top of the purchase price.

This shows that the services sector is potentially ripe for development and promotion by co-operatives.

(3) The most common weak points and shortcomings of co-operative ventures and the apex organizations can be summarised thus:

a. An inadequate capacity exists for technical and financial management in mainstream co-operatives. Exceptions to this are those co-operatives which plan and control their own cash flow and suitably diversify their activities in relation to high rates of inflation. The lack of capital in circulation can wipe out the competitiveness of co-operatives and hinder the normal production and marketing of goods and services.

b. There is a low level of capitalisation in co-operatives. In general the economic crisis and scarce resources of members are singled out as the cause of this situation. Although this is true, the low level of capitalisation in co-operatives and the lack of resources of several federations can be attributed to other concurrent causes too. In motivational terms, these can be described as "the lack of identification between the co-operative and its members and between federations and groups of co-operatives" resulting in unwillingness by co-operative members to take their fair share of "business risks".

c. Co-operative production lacks direct contact with the markets, which makes it difficult to plan the production of goods or services properly.

d. There is inadequate control over production costs, which is also due to

the difficulties caused by recurrent inflationary tendencies. Many co-operatives are not able to finance production and investment with bank loans owing to the lack of real guarantees and insufficient analysis of the fixed and variable costs of production processes. A large number of co-operatives do not have an efficient system for analytical accounting with the result that the balance-sheet is merely seen as a legal requirement instead of a means to aid decision-making.

e. Co-operatives find it very difficult to set up investment projects and there is lack of strategic planning devices.

f. Schemes for staff development and training of members are usually di-

vided into technical and business skills, and co-operative training. This dichotomy leads to an ineffective investment in human resources in co-operatives. Moreover, there are few training schemes which comprise methods and criteria for assessing performance and results of the schemes undertaken.

g. Inter-cooperative entrepreneurial relations between co-operatives working in the same field or allied ones are inadequate and there is not adequate promotion of plans for regional and international co-operation.

(4) Below is a table showing statistics relating to co-operative movements in the 4 South American countries.

## Co-operatives in South America

(Argentina 1986, Chile 1989, Paraguay 1990, Uruguay 1989)

Type of activity	Co-ops No.	%	Members No.	%
Farming	1,848	28	538,774	4.5
Credit	447	7	3,080,678	26.0
Consumer	685	10	2,322,195	19.9
Housing	1,203	18	295,782	2.5
Employment	948	14	41,424	0.3
Public services	1,482	22	1,893,762	16.0
Insurance	57	1	3,636,535	30.8
Fishing	12	--	4,000	--
Federations	(66)	--	--	--
	6,682	100	11,813,150	100.0

Source: Ministerial statistics or confederation figures.

The table shows there are more than 6,000 co-operatives in the region with over 11 million members: farmers, craftsmen, member-workers and above all beneficiaries or users of services.

This means that about 23% of the population (53 million inhabitants) receive services or rely on co-operatives.

This confirms the importance of co-operative movements in the region, even if the lack of data available leads to an excessively high estimation of the overall number of members as they are counted several times over if they are members of various co-operatives (farming, credit, insurance, consumer).

Moreover, available data does not take into account the fall in numbers of co-operative groups (which began to founder after 1991), or the increase in new co-operatives which in general are small in size and have been founded in the last three years.

The entrepreneurial significance of certain co-operative sectors in South America is undeniable: namely, farming in all the countries; banking, insurance and public services in Argentina; housing in Chile and Uruguay.

Moreover, there is great potential for co-operative development in craft-work, small industries and services.

# Aboriginal Co-operatives in New South Wales

by S. Jayathanan\*

## A Brief Overview

Traditionally the Aborigines of Australia have led a communal life. It is estimated that there are around 258,000 Aborigines in Australia with 68,000 of these residing in New South Wales. The sponsors of co-operatives in New South Wales believed that co-operatives as enterprises would suit the Aboriginal way of life. The first formalized co-operative was registered under the 1923 Co-operation Act in June 1957.

Currently there are 27 Aboriginal co-operative societies on the register. Of these, two are completely defunct.

There are now 23 co-operatives engaged in community services with the aim of improving the conditions of urban and rural living. More particularly, these co-operatives are engaged in the provision of housing, medical services, education, services for artists, welfare and charitable services including refuge centres and child minding services.

One society was formed for sugar cane farming and housing, but it is now



engaged mainly in welfare and employment. This co-operative is known as the Bunjum Co-op Society Ltd.

There is also a Fishermen's co-operative, formed to wholesale fish on behalf of fishermen on a commission basis and also to provide employment and training to the Aboriginal people.

## Brief History

The Aborigines in New South Wales were first introduced to formal co-operatives by Father John Hope, an Anglican priest. His work led to the formation of the Australian Board of Missions Christian Community Limited. This society was later to be known as Tranby College, and was concerned with educating and training Aborigi-

\* Mr. Jayathanan is Chief Advisory Officer at the Registry of Co-operatives in New South Wales, Australia. The views expressed in this paper are not necessarily those of the Registry of Co-operatives.



*Co-operators gathering for discussion on future planning.*

nal people to farm, manage and operate co-operatives in the years to follow.

Co-operatives for Aborigines had their early beginning in a committee formed in 1953 and made up of churchmen, co-operators and trade unionists. The Australian Board of missions took an active interest in the teaching and training of Aborigines in their techniques of self help and community leadership. The work began on Cabbage Tree Island and shifted to other places. The techniques used were discussions at meetings, and various visual aids. Early help was given by the University of New South Wales. With the nucleus of this Committee, the Co-operative for Aborigines was formed and registered in 1957, with the objective of providing adult education using co-operative techniques and methods. In the same year, Father John Hope do-

nated a residential building called 'Tranby' to house the school. Rev. Clint Alf became the first Head of Tranby College, and his uniting efforts and dedication to the cause of making the Aboriginal Community self-reliant contributed in no small measure to the growth of the college.

At the beginning in Tranby, training took the form of annual summer schools. The first such co-operative summer school was held in 1958. At the opening of the sessions in 1960, the New South Wales State Minister responsible for co-operatives said 'What is being attempted at Tranby must be regarded as being of utmost importance to our Aboriginal friends'. It is estimated that more than 5,000 trainees have gone through Tranby so far. Past students include those from Papua New Guinea, New Hebrides, Solomon



Islands, Fiji Islands and North West Africa. Officers of the Registry of Co-operatives of New South Wales were also involved in the conduct of these sessions<sup>2</sup> at the early stages.

The second co-operative to be formed was the Numbahging Co-operative Society Ltd., which was designed to serve the needs of the Aborigines on Cabbage Tree Island. This co-operative is now known as the Bunjum Co-operative Society Ltd.

### **Formations**

Sponsors of early co-operatives conceived of broad objectives such as 'the advancement of the Aboriginal Community' or 'the promotion of self-determination within the Aboriginal community'. Political aspirations have, in some cases, fused with co-operative objectives in the formation of co-operatives.

Government initiatives for the promotion of co-operatives, on a more positive basis, actually began in 1969, when the New South Wales State Department of Child and Social Welfare in Sydney wrote to the Registrar of Co-operatives informing him of the Minister's keenness to investigate the possibilities of establishing co-operatives for the Aboriginal people.

In February 1975, the Federal Government, having recognized housing, employment, education and training as the most urgent needs of the Aborigines, sought to provide grants to housing societies established by Aborigines and Torres Straits Islanders to enable them to undertake programmes of building or purchasing houses to meet the needs of a group or commu-

nity. Formations have also been sponsored by legal firms which believed that a co-operative-type structure would be more suited to Aboriginal enterprises.

### **Government Initiatives**

In October, 1977 the Premier of New South Wales sought to appoint an Aboriginal Community Officer to the Registry of Co-operatives to provide assistance in the development and management of Aboriginal co-operatives and to advise the Minister responsible for co-operatives. In his letter to Mr. S. D. Einfield, the Minister for Co-operatives, the Premier wrote 'From information available to me I understand that Aboriginal co-operative societies are sadly lacking administrative and technical expertise from within their own ranks and that these societies would undoubtedly benefit from more intensive assistance on such aspects of their operations'. Consequently, Mrs. Joyce Clague, an Aboriginal person, was appointed to the position.

What Mrs. Clague wrote in her report of 13 July 1981 succinctly summarizes Aboriginal co-operatives, even today:

'The goals of our co-operatives are focused in two main areas, building houses for our families and establishing enterprises which will give us jobs. Behind these goals are our objectives to improve the health, welfare and education of our people including education about how to manage our own co-operatives'.

### **Registry of Co-operatives**

In New South Wales the Registry of Co-operatives is the Government



*Shopfront of a co-operative in Bourke.*

agency responsible for co-operatives. In the 1960s the attitude of the Registry was that any move to form co-operatives must have come as a spontaneous approach from the people who needed and desired the services that co-operatives could provide. Once they had their bona-fides by way of practical expressions of support, prospects of success and proper administrative arrangements, assistance was given to the sponsors in forming a society and getting it under way. The same circumstances applied to Aboriginal co-operatives. In recent times, however, the role of the Registry has changed. There is a strong 'pro-active' development thrust which is as strong as its regulatory arm. Since 1989, advisory visits to selected Aboriginal co-operatives have taken place, and links with other Government agencies for Aboriginal development and welfare have

been established. There are three Aboriginal co-operatives under administration, closely supervised and monitored by the Registry.

### **Other Government Agencies**

There are two Government agencies, besides other mainstream agencies, involved in Aboriginal affairs and welfare. These are the Aboriginal and Torres Strait Islanders Commission (ATSIC) at the Federal Government level and the Office of Aboriginal Affairs at the New South Wales State level.

The ATSIC also administers councils and associations established under the Councils and Associations Act, 1976. Councils and Associations have certain similarities to co-operative societies. Substantial funding is channelled through councils and associations for

Aboriginal welfare schemes including health, housing, training, etc. Co-operatives are also recipients of such funding to be used for welfare schemes for Aboriginal persons. Associations and Councils are a credible alternative to co-operatives in recent times.

The Office of Aboriginal Affairs administers the Land Rights Act enacted in 1983. This Act facilitated the constitution of land councils, funded from a portion of land tax received by the New South Wales Government.

There are, in New South Wales, 115 local Land Councils and 13 Regional Land Councils, the umbrella organization of which is the New South Wales Land Council. Land Councils are controlled by Aboriginal people and can claim and purchase land, manage enterprises, and provide employment, housing, education and training.

In recent times there has been close collaboration between Land Councils and Aboriginal Co-operatives in their operations and management, especially in the non-urban areas.

## Performance

Aboriginal co-operatives have not performed as would have been expected. They are generally characterized by:

1. Lack of management, financial and commercial skills;
2. Inadequate education and training to run co-operative enterprises;
3. Lack of good leadership within membership;
4. Diminishing participation by membership at general meeting; also due

to power being concentrated in a capable few;

5. Cultural conflicts: the belief that financial accountability, accounting systems, decision-making by a Board instead of the entire community dominated by the elders, were alien to Aboriginal culture;
6. Inadequate or virtually no investment in equity capital by members;
7. Extensive trading losses;
8. Tribal factionalism surfacing in the case of co-operatives which have within their membership persons from more than one tribe.

## Education and Training

Education and training are a crucial area in the development of Aboriginal communities. It is widely believed that for Aboriginal education to be successful it should come from Aboriginal institutions and Aboriginal educators. Tranby College, run by the Co-operative for Aborigines Limited, provides a credible ideology which makes education of Aborigines possible but the emphasis has, over the time, shifted from conventional co-operative education to general education relevant to the needs of the wider Aboriginal community. Indeed, this includes the improving of skills in the management and running of enterprises. Besides Tranby College, centred in Sydney, there are also other institutions at regional level, providing management and consultancy services to the Aboriginal co-ops and similar bodies. The following Table, showing 1991 figures pertaining to some significant co-ops, will be of interest.

Name	Turnover \$	Total Assets \$	Net Assets \$	Share Capital \$	Number Members
Aboriginal Medic. Services Co-op	2,549,693	760,437	274,089	35	35
Walgett Aboriginal Medical Service	908,662	1,826,246	1,772,558	340	90
Daruk Aboriginal Community Controlled Medic.	596,232	290,841	279,867	0	78
Co-operative for Aborigines Ltd	1,116,051	861,147	711,674	2,314	930
S. Sydney Commun. Aid Co-op	495,628	441,516	224,634	688	155
Aboriginal Commun. Serv. Centre Co-op	52,493	0	(\$18,073)	28	28
Woolitji Co-operative Limited	23,206	188,118	155,372	34,000	38
Awabakal Newcastle Aboriginal Co-op	2,055,805	2,054,895	1,689,821	341	341
Toomelah Co-op Limited	1,381,000	411,504	265,588	70	35
Ngemba Housing Co-op Limited	3,198,783	4,712,572	4,541,709	890	89
Tweed Aboriginal Co-op Society Ltd	143,521	1,154,041	1,067,711	1,122	568
Ngaku Co-op Ltd	60,659	1,039,212	959,977	84	42
Nungera Co-op Soc.	401,048	1,241,036	812,280	121	121
Box Ridge Co-op Soc.	458,412	1,344,817	1,217,866	130	13
Warilla Co-op Ltd.	14,219	9,547	6,480	8	8
Worimi Aboriginal Community Co-op	269,367	986,540	814,341	0	65
Jervis Bay Fishing Co-op Ltd	431,793	288,683	(\$6,072)	341,288	10
Bunjum Aboriginal Co-op Ltd	1,196,360	129,117	76,714	900	45

# Strategies for Co-op Management in Malaysia

by Susan Tho Lai Mooi\*

The recent passing of the Co-operative Societies Bill 1992, heralds a new era in co-operative development in Malaysia and signals significant changes in the management and administration of co-operatives.

Historically, the formal introduction of co-operatives in Malaysia came about with the Co-operative Enactment in 1922. Saving and credit societies were initially introduced by the British colonial government to combat debt among farmers and Government employees. Today the movement boasts 2,303 co-operatives in diverse activities with a membership of over three million, financed by members' funds of US\$ 641.5 million and owned assets worth US\$ 2506.5 million.<sup>1</sup>

<sup>1</sup> The statistics (1991) relate to co-operatives under the jurisdiction of the Department of Co-operative Development which supervises all co-operatives except for the farmers' and fishery co-operatives.

While the Government sees co-operatives as important instruments of na-



tional development in its endeavour to eradicate poverty and restructure society, co-operatives are confronted with challenges which threaten their progress and the attainment of basic objectives. It is apparent there is an urgent need to re-examine strategies and approaches adopted in the internal management and administration of a co-operative to foster greater control of activities, management practices and decision-making by members.

## Promoting Member Interest

The prime reason an individual joins a co-operative is its fulfilment of his needs, thus his continued allegiance and loyalty to the co-operative will be dependent on its ability to meet his

\* Ms. Tho has been senior lecturer of the Accounting Division, Faculty of Economics and Administration of the University of Malaya since 1986. Among other publications, she has also written an auditing case book based on credit co-operatives for use in classroom instruction.

needs. Therefore, it is pertinent that a co-operative should strive to serve its members, who should reciprocate by extending their support. This is the fundamental and primary role of the co-operative and its members: **reciprocal and mutual responsibility.**

This objective must be the focus of all policies, strategies and action, a fact that needs much more emphasis in many Malaysian co-operatives. Activities for non-members must be limited, and abolished if necessary. Provision of services to members should be at cost or near cost. Co-operative management should seek members' opinions, comments and suggestions on the activities and services provided by the co-operative.

Members, however, need to recognize that, as one of many institutions in the market place, a co-operative is faced with economic limitations and is constrained by market forces.

### **Member Participation**

Keeping in constant touch with the member is one way of making sure the co-operative is able to fulfil both their economic and their social needs. Unfortunately, it is a common phenomenon that a large portion of the co-operative membership is passive and inactive.

Maintaining a free flow of information to and from members through their participation in co-op activities, sub-committees and discussions enables the co-operative to keep in touch with the members and increases solidarity between co-operative and members. Through sub-committee activities in areas such as loan processing, member

education, social activities, investment decisions etc. members can participate in the decision-making process concerning issues which affect them.

An interesting and pertinent example of communication between co-operative and members can be found in the Japanese 'Han' meeting, where members meet regularly to resolve their problems and provide feedback on the co-operative's activities and services (Sidek, 1984).

### **Education**

To play their role effectively, members need to understand the concepts, principles and philosophy of cooperation which will bring about greater awareness of their rights and responsibilities. There is also a pressing need to embed in the hearts and souls of members the fact that a co-operative's success is heavily dependent on them. In addition, members also need basic knowledge of the co-operative as a business enterprise in the free market so that they can play a more effective role in deciding policies, and participation in activities becomes more meaningful. An enlightened membership exercises greater wisdom in choosing leaders, and is in a better position to exercise control should Board or management fail to act in accordance with its wishes.

Co-operative education is important not only for members but also for board and committee members, who need to be acquainted with meeting procedures, basic legal and financial matters and the day-to-day operations of the co-operative. Appropriate education and training programmes organized



*The university co-operative bookshop boasts 20,000 titles of books for sale. Mr. Ravindra Samaraveera, Sri Lankan Minister of Co-operatives and Food, is shown the selection.*

by the Co-operative College of Malaysia and/or ANGKASA, the national apex organization for co-operatives, would be useful and necessary for any member elected to the Board or committees.

It is also the co-operative's responsibility to ensure that all its employees, the manager included, understand the concepts, philosophy and working of a co-operative as distinct from other types of business organizations.

Education is the responsibility of the co-operative and can be carried out formally or informally. Formal education takes the form of talks, courses, seminars, workshops and congress. Informal education can be achieved through the participation of members

in the business activities of the co-operative, meetings, forums, dialogues and social functions.

### **Professional Management**

More sophisticated management technologies and increasing business competition make it imperative that co-operative management should adopt a professional approach in order to survive. Due to the expansion and diversification of co-operative business into new, challenging and non-traditional activities such as insurance, land and property development, investment, consumerism, housing etc. voluntary and honorary members of the Board can experience difficulties in finding the time and expertise necessary for efficient and effective man-

agement. For this reason, it is inadvisable for co-ops to be heavily dependent on voluntary service, a practice still prevalent in small and medium sized co-ops.

In fact, statistics obtained from the Department of Co-operatives indicated an average employment of less than four administrative employees per co-op in 1990. While large national co-ops may employ more than this, small co-operatives would have only one clerical staff member, or none at all.

The role of management is both executive and adviser to the Board. The manager plays a pivotal role, being engaged in the planning, organizing, directing, co-ordinating and controlling of administration and financial operations.

Where professional management is employed, the Board is duty bound to clearly and carefully delineate the decision-making powers between itself and management, giving management sufficient autonomy to ensure efficiency and effectiveness, whilst retaining enough authority to properly supervise the actions of management. This should prevent duplication of functions and duties and ensure that the correct balance of power is maintained, especially significant in the case of the larger co-operatives. It also helps to create a conducive and harmonious Board-management relationship, which is vital to any business organization.

However, it must be borne in mind that while authority can be delegated, responsibility for management still rests with the Board, which is account-

able to its members. Ideally, the Board makes the broad policies and guidelines, management implements these, and the Board then evaluates their effectiveness.

For the purpose of checks and balances, this division of tasks is important. If all these tasks were carried out by the Board it would be difficult for it to be totally objective and remain unbiased.

Furthermore, professional management plays a vital role in monitoring the activities of the Board. It is the duty of management to inform and advise the Board on the policy guidelines, laws, rules and regulations prescribed by the General Assembly and the regulating authorities.

Clear specification of duties of the principal officers of the Board, committee members, sub-committees and employed personnel of the co-operative is recommended as it helps to streamline management and avoid unnecessary delays in decision-making.

### **Internal Control**

The financial failures of twenty-four deposit-taking co-ops as well as other co-operatives in Malaysia in the 1980s, has highlighted the serious lack of control over of co-op activities. Establishing a sound system of internal control is one step towards controlling unauthorised practices by the Board and management. The statutory requirement to establish an Internal Audit Committee is another.

It is the responsibility of the Board/management to ensure that a proper system of internal control is set up.



Such a system comprises the whole system of controls, financial and otherwise, established to carry on the business of the co-operative in an orderly manner, safeguard its assets and secure, as far as possible, the accuracy and reliability of its records. It consists of a formal organization chart, job description, a chart of accounts, written description of accounting policies, budgetary procedures and the assignment of internal control functions to selected personnel. Internal controls can be divided into two categories:

**Accounting Controls** are intended to safeguard assets, ensure the timely recording of transactions and ensure the overall accuracy and dependability of the financial records.

**Administrative Controls** are intended to help achieve organizational goals such as good membership and public relations, satisfactory working conditions, operational efficiency and effectiveness.

Having a strong internal control system acts as a powerful deterrent to fraud. The key to this is the segregation of initiation, recording, custody and handling, so that no one person handles a transaction completely from beginning to end.

In this respect, many small Malaysian co-ops find it difficult to establish an adequate system of internal control, as most of them have only one or two employees, allowing little or no opportunity for division of duties and responsibilities. Despite this, there are, nevertheless, basic forms of control which are available and can be implemented.

## The Role of the IAC

The importance of internal audit in a co-operative is recognized by the Co-operative Society Act of 1992, which makes it mandatory for a co-operative to appoint an Internal Audit Committee (IAC) at the AGM, consisting of not less than three and not more than six members. Simultaneous membership of both the IAC and Board is not permitted. Prior to 1992, the appointment of internal auditors was provided for only in the by-laws of a society. Legally requiring the IAC to report to AGM makes it a powerful instrument of control by co-operative members.

The IAC has to examine all accounting and other records relating directly or indirectly to the society and its subsidiaries to determine whether the affairs are conducted in accordance with the objects of the society, provisions of its by-laws, resolutions adopted at AGM. In particular, it has the following duties:

- a) to ascertain the authority and validity of all expenditure;
- b) to examine the accounts or appoint competent persons to do so, at regular intervals: at least once every three months.
- c) to communicate to the Board any discrepancies that may occur in the management of the society.
- d) to present a report on the management and affairs of the society, including any violations of the by-laws, to the AGM.

The IAC has the right of access to all books, accounts and documents, and any person required by the IAC to

agement. For this reason, it is inadvisable for co-ops to be heavily dependent on voluntary service, a practice still prevalent in small and medium sized co-ops.

In fact, statistics obtained from the Department of Co-operatives indicated an average employment of less than four administrative employees per co-op in 1990. While large national co-ops may employ more than this, small co-operatives would have only one clerical staff member, or none at all.

The role of management is both executive and adviser to the Board. The manager plays a pivotal role, being engaged in the planning, organizing, directing, co-ordinating and controlling of administration and financial operations.

Where professional management is employed, the Board is duty bound to clearly and carefully delineate the decision-making powers between itself and management, giving management sufficient autonomy to ensure efficiency and effectiveness, whilst retaining enough authority to properly supervise the actions of management. This should prevent duplication of functions and duties and ensure that the correct balance of power is maintained, especially significant in the case of the larger co-operatives. It also helps to create a conducive and harmonious Board-management relationship, which is vital to any business organization.

However, it must be borne in mind that while authority can be delegated, responsibility for management still rests with the Board, which is account-

able to its members. Ideally, the Board makes the broad policies and guidelines, management implements these, and the Board then evaluates their effectiveness.

For the purpose of checks and balances, this division of tasks is important. If all these tasks were carried out by the Board it would be difficult for it to be totally objective and remain unbiased.

Furthermore, professional management plays a vital role in monitoring the activities of the Board. It is the duty of management to inform and advise the Board on the policy guidelines, laws, rules and regulations prescribed by the General Assembly and the regulating authorities.

Clear specification of duties of the principal officers of the Board, committee members, sub-committees and employed personnel of the co-operative is recommended as it helps to streamline management and avoid unnecessary delays in decision-making.

### **Internal Control**

The financial failures of twenty-four deposit-taking co-ops as well as other co-operatives in Malaysia in the 1980s, has highlighted the serious lack of control over of co-op activities. Establishing a sound system of internal control is one step towards controlling unauthorised practices by the Board and management. The statutory requirement to establish an Internal Audit Committee is another.

It is the responsibility of the Board/management to ensure that a proper system of internal control is set up.

Such a system comprises the whole system of controls, financial and otherwise, established to carry on the business of the co-operative in an orderly manner, safeguard its assets and secure, as far as possible, the accuracy and reliability of its records. It consists of a formal organization chart, job description, a chart of accounts, written description of accounting policies, budgetary procedures and the assignment of internal control functions to selected personnel. Internal controls can be divided into two categories:

**Accounting Controls** are intended to safeguard assets, ensure the timely recording of transactions and ensure the overall accuracy and dependability of the financial records.

**Administrative Controls** are intended to help achieve organizational goals such as good membership and public relations, satisfactory working conditions, operational efficiency and effectiveness.

Having a strong internal control system acts as a powerful deterrent to fraud. The key to this is the segregation of initiation, recording, custody and handling, so that no one person handles a transaction completely from beginning to end.

In this respect, many small Malaysian co-ops find it difficult to establish an adequate system of internal control, as most of them have only one or two employees, allowing little or no opportunity for division of duties and responsibilities. Despite this, there are, nevertheless, basic forms of control which are available and can be implemented.

## The Role of the IAC

The importance of internal audit in a co-operative is recognized by the Co-operative Society Act of 1992, which makes it mandatory for a co-operative to appoint an Internal Audit Committee (IAC) at the AGM, consisting of not less than three and not more than six members. Simultaneous membership of both the IAC and Board is not permitted. Prior to 1992, the appointment of internal auditors was provided for only in the by-laws of a society. Legally requiring the IAC to report to AGM makes it a powerful instrument of control by co-operative members.

The IAC has to examine all accounting and other records relating directly or indirectly to the society and its subsidiaries to determine whether the affairs are conducted in accordance with the objects of the society, provisions of its by-laws, resolutions adopted at AGM. In particular, it has the following duties:

- a) to ascertain the authority and validity of all expenditure;
- b) to examine the accounts or appoint competent persons to do so, at regular intervals: at least once every three months.
- c) to communicate to the Board any discrepancies that may occur in the management of the society.
- d) to present a report on the management and affairs of the society, including any violations of the by-laws, to the AGM.

The IAC has the right of access to all books, accounts and documents, and any person required by the IAC to

produce information or documents must do so. All expenses incurred by the IAC in carrying out their duties is to be borne by the society.

In electing the IAC at AGM, members have a responsibility to select members who have the required qualities to carry out their responsibility satisfactorily. Two important qualities of an internal auditor are **independence** and **competence**. Internal auditors should be independent of the activities they audit; they must be able to carry out their work freely and objectively so as to render the impartial and unbiased judgements essential to the proper conduct of audits.

The responsibilities assigned to the internal auditors can also affect their independence. The internal auditors should not be responsible for both performing the audit and correcting any deficiencies. Drafting procedures, designing, installing and operating systems, are not internal audit functions.

Auditing competence, is the other important quality of an internal auditor. This poses a major problem, as almost all elected co-operative internal auditors lack accounting knowledge, qualifications or auditing skills. ANGKASA is currently attempting to address this problem by undertaking to train internal auditors on a nation-wide basis, using a 'hands-on' auditing approach. The law also recognized this problem by a provision in the 1992 Act for the appointment of competent persons to do the auditing on behalf of the IAC. It is envisaged that the co-operative IAC will perform both management (or

operational) audit and financial audit simultaneously.

In the discharge of their duties, the IACs' reporting of management discrepancies to the Board is only one aspect. It is important for the IAC to follow-up on the Board's response to its report. Ideally, the policies of the co-operative should require the Board to respond to the report in writing within a specified period. IAC follow-up should determine the adequacy of measures taken by the Board in response to its recommendations, enquiries and comments. If an appropriate response is not received, this should be communicated to the General Body.

The importance of internal auditors cannot be overemphasized. Besides being the 'watch dog' for members, they assist the board and management in the effective discharge of their responsibilities, and perform other useful functions in improving the efficiency and effectiveness of organizations. Numerous examples of cost saving and more efficient operations as a result of operational audits have been cited in auditing journals.

### **Monitoring Performance**

In addition to setting appropriate objectives and goals to promote members' interests; it is fundamental that the performance of the co-operative be evaluated to determine how successful it has been in achieving these. Actual results are compared with planned performance and any significant differences are investigated. Managers are accountable to the Board which is, in turn, accountable to the members.

Control should be carried out on a continuous basis to determine 'where' and 'why' results differ from those planned so that actions can be taken to review plans, strategies and tactics as early as possible.

Blumle (1985), in his study on the Methods of Measuring Success in a Co-operative, characterized success as the achievement of authorised goals established in the planning stage, i.e. the 'promotional obligation' of the co-operative. He suggested two methods for measuring success, namely the **direct** or performance-related approach, and the **indirect** or person-related approach.

The direct approach is more objective and, in many instances, could be quantifiable. Indicators can be expressed in terms of percentages and monetary units of measurement, and include surplus income, share of transactions with members, turnover and costs. Actual results obtained are compared with planned results.

In the indirect approach, members' perception of goal achievement by the co-operative is subjectively evaluated by questioning them on the following:

- a) satisfaction with the promotional efforts of the co-operative,
- b) agreement with the principles of management,
- c) attitude towards the co-operative,
- d) desirability of certain services offered by the co-operative.



*The People's Co-operative Bank stands in the centre of Kuala Lumpur, capital of Malaysia.*

Feedback could also be obtained through the **observation** of members' action and reaction towards the co-operative in terms of:

- a) using co-operative services (frequency and degree of response),
- b) participation and degree of involvement in members' meetings and communication with the co-op,
- c) willingness to provide feedback about co-operative services, activities etc.

### **Conclusion**

One of the identified weakness of co-operatives in Malaysia is the lack of control exercised by members over the

management of co-ops. This has led to many diversionary practices by board members and management, which is largely responsible for the failure of some apparently 'successful' co-operatives. It is important to bear in mind that co-operative success is measured not by the financial profits of the enterprise, but more importantly, by the success enjoyed by members in terms of improved economic status and fulfilment of needs through their co-op: the very reason for its existence!

This paper has outlined strategies and approaches to address this problem. An enlightened membership, the supreme body in a co-operative, which participates actively in co-operative activities and decision-making, is paramount for checking deviational practices. With the combined efforts of sound internal control, the expertise of professional management and the vigilance of internal auditors, co-operatives should stride forward boldly to meet the challenges of the 1990s.

## References

- Beland, C. (1990), 'Capital Formation: The Challenge for Co-operative Theory and Practice', *Review of International Cooperation*, Vol. 83, no. 4/1990.
- Blumle, E. B. (1985), 'Methods of Measuring Success and Effect in a Co-operative', in *Co-operatives*, edited by Dulfer, E. and Hamm, W, Quiller Press, London, pp.131-146.
- Chukwu, S. C. (1990), *Economics of the Co-operative Business Enterprise*, Marburg Consult For Self-help Promotion.
- Federicks, L. J., (1986), *The Co-operative Movement in Malaysia*, University of Malaya, Kuala Lumpur.
- Government of Malaysia, *Co-operative Societies Bill 1992*. Unpublished statistics, (1990), Department of Co-operative Development.
- International Labour Organisation, (1988), *Co-operative Management and Administration*, ILO, Second Edition.
- Roy, E. P. (1981), *Co-operatives: Development, Principles and Management*, The Interstate Printers & Publishers, Inc, Fourth Edition.
- Sidek, A. B., (1984), 'Achieving Economic Effectiveness, Efficiency and Democracy in Line with the Co-operative Spirit', an unpublished paper presented at the seminar, 'Professionalism in Cooperative Management - Challenges of the Free Economy', sponsored by the Co-operative College of Malaysia and the Midlands Co-operative Union of Malaysia, 21 - 22 November, 1984, pp. 7-8.

# From Sectors to Movements in the South

by Patrick Develtere\*

## Introduction

Since 1980, fundamental changes have been occurring world-wide. The traditional dividing lines of North/South - East/West have become obsolete, authoritarian rule is being challenged everywhere, the State-led economic model is being questioned.

The destruction of the old system is accompanied by the construction of new pillars and the rediscovery or reconstruction of suppressed and seemingly forgotten identities. The liberal-democratic concept, which is gradually applied to both the economic and the political domain in most developing nations, is structurally more conducive to social movements than the previous concept of planned or controlled development. This brings such movements centre stage wherever and whenever the new system generates frictions, conflicts and contradictions. These movements are: urban associations, farmers' organizations, co-op-



eratives, trade unions, women's movements, cultural and environmentalist groups. Most developing countries witness a mushrooming of new movements and a remarkable resurgence of old, dormant ones. What distinguishes these social movements from other, equally important, actors such as the State, political parties and private business, is their vision of a better society (ideology), the continuous involvement of their membership base (praxis) and their democratic organization (organization).

Each movement is unique, since the interaction between these three components differs according to cultural, social, historical and economic conditions.

---

\* Mr. Develtere is currently the Project Director of Worldsolidarity, the Development Cooperation Department of the Belgian Christian Workers Movement. Mr. Develtere has published several articles and books on the cooperative movement, the most recent of which is entitled "Co-operatives and Development: Towards a Social Movement Perspective".



*Financially viable credit unions often take the lead. Bethel Credit Union of Tobago pioneers the marketing of peas.*

Several things are generally neglected or misunderstood in the current debate on development and the role of these movements.

First, the mere presence of these movements makes for unpredictable development and the diversity of development models as the movements respond to local needs perceived from the cultural and social viewpoints of particular groups in society.

Second, they further the interests of their own members as opposed to those of society as a whole.

Thirdly, there is most often a close interaction between different social movements (e.g. farmers' movements and co-operatives), but also competition for support from the same public.

Fourthly, the dynamics and functioning of these movements in the Third World, which account for a spontane-

ous and internally-driven development, are not dissimilar to those of their counterparts in the industrialized nations. Much diversity (in ideology, praxis and mode of organization) can be found between seemingly similar movements.

Fifthly, these social movements do not consider State power necessary for the satisfaction of popular needs. As Fuentes and Frank observe, '.....people everywhere - albeit different people in different ways - seek advancement, or at least protection, affirmation, and freedom, through a myriad of non-State social movements, which thereby seek to reorganize social and redefine political life'<sup>1</sup>.

### **Co-operatives as Actors**

Co-operatives or co-operative type organizations are undoubtedly among the most popular organizations set up



by these movements. Farmers' organizations establish marketing co-operatives for their members, trade unions organize credit unions, consumer co-operatives and industrial co-operatives, women's movements and urban associations set up co-operative self-help activities of different sorts: savings and credit associations, community health clinics, food kitchens and co-operative workshops.

Apart from these new initiatives, it can be seen that in many countries the more viable old co-operatives seek to redefine their relations with Governments and aid-agencies (their traditional patrons), and revitalize their movements by allowing members to determine their vision, modes of organization, strategies and tactics.

In sharp contrast with former times, in many countries co-operative members and leaders no longer allow external actors to dictate their fate. More articulate than before, they present their own vision of society, defending the principles of co-operation, equity, fair business and democracy. They have abandoned the 'extra-co-operative principles' of colonial and post-colonial times. Governments' and other agencies' involvement in the co-operatives is much reduced and increased member participation is being promoted. And, finally, they are experimenting with new organizational modes to escape from the straitjackets laid down by traditional co-operative laws and regulations.

The co-operative movements no longer accept that others determine the co-

operative vision, praxis and mode of organization they have to adhere to. They also often reject their traditional position and role in society. They compete more aggressively with private business and engage in sectors previously closed to co-operatives, and seek to free themselves from ties with political parties and the stigma of being 'the poor man's business'.

This rejection of external control is an uphill struggle. Social movements are continuously confronted with counter-strategies of the other, often more dominant and forceful actors in society. In addition, co-operative movements carry the dismal heritage of several alien co-operative development strategies which have influenced the laws and regulations applying to co-operatives, relations between Governments and co-operatives and negative public images of co-operative development.

From what has been said, it can be concluded that in order to define a genuine co-operative development policy, one has to take into account the fundamental characteristics and internal dynamics of co-operative movements, their relations with other bodies, and the imprints they always carry from former experiences<sup>2</sup>.

We will start with the latter.

### **A Double Heritage**

In most developing nations the co-operative sector was the product of external agencies foreign to existing and potential social movements. Members were not allowed to develop their own

co-operative vision and proper co-operative praxis in conformity with their cultural experiences, as had happened in the industrialized countries. On the contrary, they subordinated the co-operative vision and practice to the dominant ideology and praxis. This happened during the colonial period, the populist-nationalist period following independence and the later post-nationalist period.

### **The Colonial Strategies**

The colonial powers did not wait for a spontaneous co-operative movement to emerge in their territories. They took the initiative themselves, reasoning that co-operatives (not co-operative movements) were desirable for the natives but could not be developed by them without proper instruction, guidance and control. The British, Dutch, Belgians and French, therefore, all developed special co-operative promotion and guidance systems. The remnants of these are still to be found in many places.

The colonial agencies considered modern co-operatives to be particularly useful instruments to gradually introduce the native people to the modern market economy. Margaret Digby, a renowned co-operator who was very influential in the development of the British co-operative development strategy, states, for example, that 'the value of co-operation is that it provides for a transition from the primitive to the modern economic and social worlds, which involves no violent disruption, prevents the exploitation of the less advanced by individuals or groups,

does not place an intolerable burden of cost or responsibility upon the central Government, and makes no demands on human nature which it has not, in many countries and climates, been proved fit to meet'<sup>3</sup>.

Hence the idea that co-operatives could, and should, be introduced before they spontaneously arise. Hence also the idea that co-operatives can be set up for, instead of by, a group of people.

As Münkner observes, in the case of the British co-operative promotion scheme, for example, the objective was 'to create autonomous, self-reliant co-operatives in the long run, but to generate the lacking initiative and technical know-how of the local population by the services of officials of a specialized Government agency'<sup>4</sup>.

Indeed, in most colonial territories it was the Government which took the initiative for co-operative development. With this, the idea was born that a Government-co-operative partnership could be beneficial to both parties and be released as soon as the co-operative sector matured.

Government involvement would, however, become a permanent feature of co-operative development in most developing nations. This tendency was indeed reinforced when colonial officials were looking for appropriate frameworks to organize the economy. Co-operatives were, therefore, most commonly used to stimulate and streamline the production and collection of major export crops.



*Co-operatives seek new avenues to sustain their own independent development. JAMS of Jamaica is one of the Caribbean co-ops which went on the export market.*

Gradually, colonial Governments began to see co-operatives as useful social engineering devices to be applied to specific categories of people. It is therefore no surprise that a call for more co-operative promotion was often heard after waves of social unrest among peasants, landless or workers. In this way, colonial agencies discovered how they could use co-operatives to educate the masses, to mitigate their miserable living conditions, and to prevent political agitation and social unrest.

From the mid-1940s onwards, most colonial powers accepted that they had to invest more in the welfare of the natives and that an active co-operative promotion strategy would be instrumental to this.

The metropolitan co-operative system (which allowed for free development and growth) was considered inappro-

priate. More and more intense Government patronizing was the result. The Belgian Decree of 1949 on indigenous co-operatives in its colonies illustrates how paternalistic these strategies could become. It allowed provincial governors to fix the advances which the agricultural co-operatives had to pay to producers and to identify educational committees and advisors for the co-ops. Two of the four members of these committees had to be of Belgian nationality.

### **Populist-Nationalist Strategies**

After independence, Governments continued to keep the initiative in co-operative development. In many cases, they merely reinforced the patterns set during the colonial period. Inspired by the early populist-nationalist experiences in Latin America and China, most Governments increased their in-

volvement in co-operative development. Well known cases of Government-led co-operative development under the banner of socialism are: Tanzania, India, Indonesia, Peru, Guyana and Jamaica. Many regimes which adhered to a more liberal-capitalist political philosophy and engaged less in co-operative rhetoric, also intensified their involvement in co-operative development. This was the case, for example, in Korea, the Ivory Coast, Trinidad and Tobago. In both cases, co-operation was seen as an integral part of Government's responsibility because of the necessity to build the nation as a united force under the leadership of the Government.

Co-operative development was high on the agenda of most new nations and co-operatives were given special advantages, such as monopolies and monopsonies. International aid agencies generally supported or accepted Governments' role in co-operative sponsoring and control. In an effort to accelerate development, co-operatives were artificially pushed to meet the centrally planned economic targets.

To this effect, the traditional co-operative praxis was further distorted by more Government involvement and compulsory 'participation' of producers. This was especially evident when persuasion and propaganda proved insufficient to get producers to meet the political targets voluntarily.

The quest for full control of the development process led also to numerous measures to discipline the co-operative 'movement': leaders of the move-

ment were co-opted by the political system, the co-operatives were used as dispensers of patronage, competitive co-operative movements were not accepted, and central co-operative bodies were not allowed, or had to work 'in partnership' with the authorities.

By the end of the 1960s these populist-nationalist strategies were facing increasing criticism, particularly because of the failure of their top-down approach to quickly redistribute national wealth and alleviate poverty. A myriad of new, and often contradictory, initiatives were introduced to protect the poor co-operators against the exploitation of the richer and better-educated ones, to stimulate participation of weaker sections of society in co-operatives and to co-ordinate increasing assistance through co-operatives.

## **Towards Real Co-op Movements**

These new modifications to the populist-nationalist strategies did not dramatically change the outlook of the co-operative sector in the Third World. They did, however, show that the crisis was essentially one of the intervention strategies themselves, not of co-operative development as such.

In his analysis of three decades of international assistance for co-operative development in the Third World, Bruce Thordarson identifies three problems and contradictions which hinder sound co-operative development: the dependence upon and control by national Governments; the counter-productive effect of much of the external assist-

ance invested in co-operative development; and the association of co-operation with instruments of poverty alleviation<sup>5</sup>.

Co-operatives in both the colonial and the populist-nationalist era were not the instruments of the people, but those of external agencies which used them for their own purposes. Colonial agencies used them to involve the natives in a market economy, to instill new, modern, values and norms, and to control the local population. Populist-nationalist agencies used co-operatives to meet national economic targets, to subsidize politically sensitive groups, or to create a populist image. Aid-agencies used co-operatives to channel funds to target-groups and to get official recognition for their initiatives.

The only co-operatives to escape this stranglehold are the credit unions. They benefited from benign neglect by Governments that did not see the advantages of local savings mobilization, they received valuable support from local élites (particularly clergy and union leaders), and they were able to control their movement process much better than any other co-op sub-sector.

Several factors contributed to the recent shift in co-operative development. The financial problems of Third World Governments prevent them from further financial investment in the co-operative sector, the call for political pluralism and democratization demands freedom of association and non-intervention by the State in the affairs of movements, and the international agencies' loss of interest in 'voluntary-

type' development models. On the other hand, the cultural, social and economic crisis within the Third World has stimulated social movements of different sorts.

In terms of co-operative movements, three courses of action can be witnessed. In the first instance, the co-operatives set up under the old systems are liquidated or become moribund. This is particularly true of co-operatives which were completely reduced to Government controlled functional organizations or which were fully dependent on the political movement which gave rise to them. Some muddle through for many years until they are finally dissolved, or embark upon the second course of action.

This second course of action is found where specific interest groups, which see short-term and long-term benefits in revitalizing the co-operative structures, take over the co-ops. In some cases the old co-ops gained sufficient financial independence to be able to sustain operations. High on the agenda of these movements is the removal of legislative obstacles which prevent them from full self-determination.

And, thirdly, new co-operative movements spontaneously develop within the framework of broader social movements. These co-operatives defend the principles of co-operation, fair business and equity, and also cement and strengthen the loyalty of their members and build an economic powerbase with which to defend members' interests. In this way co-operatives become actors in the development process.

## Sectors as Opposed to Movements

Whether in the industrialized or the developing countries, traditional power-holders have always tried to control and manipulate the co-operative movement. They fully succeed when they can bring it down to the status of a co-operative sector. Such a sector is composed of an aggregation of separate associations, called 'co-operatives' only because they comply with strict rules and regulations. Such a sector is not an actor in its own right.

A co-operative movement, on the other hand, is a voluntary and spontaneous phenomenon. It is there whenever a social movement uses co-operative enterprises to achieve its philosophy of co-operation, fair business, equity and democracy, when its members participate in defining a better society and remain the main patrons of the enterprise.

The table on the next page gives an overview of the differences between a Co-op Sector and a Co-op Movement.

## References

- <sup>1</sup> Ten Theses on Social Movements, M. Fuentes and Frank A.G., *World Development*, Vol. 17, No. 2, 1989.
- <sup>2</sup> For a more detailed analysis of the different colonial and post colonial co-operative development strategies, see:  
Co-operatives and Development: Towards a Social Movement Perspective, Patrick Develtere, Centre for a Study of Co-operatives, Saskatoon, 1992.
- <sup>3</sup> Economic and Social Aspects of Rural Co-operation in Overseas Territories, Margaret Digby, in: P. Staner, et al., *Le Mouvement Coopératif en territoires Tropicaux Arriérés*, Universitaire Pers, Deiden, 1953.
- <sup>4</sup> Comparative Study of Co-operative Law in Africa, H. H. Münkner (ed.), Marburg Consult, Marburg, 1989.
- <sup>5</sup> From Stockholm to Stockholm: The Lessons of Three Decades of Co-operative Development, Bruce Thordarson, *Review of International Co-operation*, Vol. 81, No. 2, 1988.

## Co-op Sector

## Co-op Movement

<b>Creation:</b>	Mechanical, through social engineering	Spontaneous
<b>Membership base:</b>	Defined by external agencies (esp. under-privileged groups)	Self-selection (esp. aspiring social groups in defensive position)
<b>Patrons:</b>	Governments, development agencies	Members, sympathetic elite
<b>Co-operative practice:</b>	Excluded, reduced or controlled	Geared towards self-determination and collective control of the movement process and external environment
<b>Co-operative ideology:</b>	Subjugated to ideology of initiating agencies	Created and recreated by movement membership and organizations
<b>Organization principles:</b>	Determined and imposed by patrons	Self-determined
<b>Relation with Government:</b>	Government-co-operative control/partnership	Countervailing power
<b>Relation with other social movements:</b>	Isolated	Articulated with or embedded in
<b>Relation with other co-ops:</b>	Depends on imposed blueprint	Depends on strategic choices as to level of intra-movement competition/co-operation
<b>Approach to social change:</b>	Planned change	Attempt to influence change, unplanned change

# No Future without a Gender Perspective

by Katarina Apelqvist\*

At the Congress in Tokyo , in my capacity as chairwoman of the Women's Committee, I criticized the report "Co-operative Values in a Changing World" by Sven Åke Bööck. The report was a focalpoint at the Congress.

I pointed out that despite the fact that the report was comprehensive and expressed many interesting and valuable points of view it lacked a Gender perspective. I stated that without a gender perspective the report cannot provide a relevant and constructive basis for future co-operative principles. The co-operative movement cannot meet the future without an analysis of the values, principles and practices in relation to women's and men's different realities and conditions. Women's poorer legal, financial, professional and personal conditions should have a decisive effect on how we formulate our principles and practices.

At the end of my speech I proposed that a study of co-operative values from a gender perspective be started immediately. The study should recommend



positive/affirmative actions for achieving equality in the co-operative movement and include a time plan for these actions.

In addition to this I recommended amendments to the wording of two principles. These amendments pointed out that sexual discrimination is not acceptable in a co-operative society and that the goal should be an equal number of women and men administrators. I proposed that the Co-operative Practices/Operating Guidelines include also affirmative actions to achieve equality between women and men in every co-operative sector. I concluded by saying that the Women's Committee would be happy to accept the proposed Resolution on Values with the

---

\* Ms. Apelqvist chairs the ICA Women's Committee.



proviso that our proposals were integrated into the subsequent work on the Principles and Operating Guidelines.

### **From a Gender Perspective**

After my speech I had a very pleasant and constructive discussion with Professor Ian MacPherson, the coordinator of the forthcoming work on principles and guidelines.

We agreed that a study from a gender perspective be implemented. At his request I have suggested approximately 20 possible women researchers from different continents for the study. Professor Ian MacPherson also said that at least 30 percent of the larger reference group, for the forthcoming work on the principles, will be women and asked me to suggest names. He furthermore said that our suggested amendments to the wordings of two of the principles would be taken into consideration.

In my presentation I highlighted that Sven Åke Bööck's report lacks a thorough penetration of the discrepancy between the basic co-operative values of equality and democracy and the lack of equality between women and men in the co-operative movement. Nor are there recommendations for affirmative actions for realising equality and TRUE democracy in the report.

### **An Illusion of Democracy**

We need to wake up to the fact that equality does not only mean equality between men, it also means equality between women and men. Without equality between women and men

there is no democracy. What we have in the co-operative movement of 1993 is an illusion of democracy.

This discrepancy between our values and reality is devastating for the credibility and lifeforce of the movement.

Sven Åke Bööck states in his report that the fact that women, younger people and employees are not represented at higher levels of co-operative democratic management challenges the quality and the coverage of the co-operative concept of democracy. Women readers' positive reactions to these observations will, however, be short-lived. To our surprise the writer appears to view the absence of employees from democratic management as the most serious threat to the concept of democracy. In his recommendations for revision of the Principles he says that the principle concerning democracy should be supplemented by a statement about the employees' participation in co-operative democratic administration. The Women's Committee is convinced that the basic co-operative principles must first and foremost include a statement which underlines the necessity for the equal participation of women in co-operative management! This should be regarded as one form of affirmative action.

### **Women Marginalized**

In the 40-page chapter on "Democracy, Participation and Mobilization—the essence of co-operation" and the chapter entitled "Future Values", women, when they are mentioned at all, are referred to in the following

categories: "Young people, women, pensioners" and "employees, women and young people". This is an incorrect categorization. The only correct way to categorize is to talk about women and men, as women and men each constitute one half of the world's population. All other categorizations are in reality a way to marginalize women. This must be stopped! Both women and men play many roles. They are parents, employees, community members and hopefully co-operative members. They are initially young, grow middle-aged and finally become pensioners. However, there is one essential difference and that is that women have been given a subordinate role, lower status and poorer conditions all their lives in all social groups.

### **Gender Versus Class**

Within the co-operative movement it is customary to apply a class perspective to the way of working, goals and business operations. It is often claimed - also in other popular movements - that class perspectives should take precedence over other perspectives, among them the gender perspective. In my opinion that is a faulty viewpoint.

The question of inequality between the sexes is NOT subordinate to the lack of equality between social classes. The gender perspective is as important as class perspectives. This is because equality between social classes does not resolve inequality between the sexes. In every social class woman will remain subordinate to man if measures are not taken to explicitly change the balance between the sexes.

When we discuss equality and democracy as essential values in our way of working in the co-operative movement we can no longer turn a blind eye to the fact that we not only have frightening differences between the living conditions of different classes and different parts of the world. We must also recognize the fact that half of the world's population is subordinate to the other half not because of class but because of sex. In all social groups the poorest people are in fact women.

When Sven Åke Bööck deals with the co-operative movement's social responsibilities, e.g. responsibility for the poorest parts of the population, it would have been natural to point out that in reality we are talking about women. And yet the report fails to do this.

### **The Feminization of Poverty**

The expression "the feminization of poverty" is frequently used today and should be well-known to all of us. The feminization of poverty is a reality in developing countries and a growing problem in industrial countries. Women work for 67 percent of the world's working hours, earn 10 percent of the world's income and possess less than 1 percent of the world's assets!

The basic co-operative values "Social and Economic Emancipation" and "Voluntary and Mutual Self-help", for which Sven Åke Bööck has found a lot of support in the movement, should consequently have resulted in concrete measures directed, not least of all, at women. But today the co-operative

movement's investments in education, training and production which directly benefit women are still like crumbs from men's richer table. Furthermore, many of these investments are made by national and international donor agencies, not by the co-operative movement itself.

These values of Equality, Economic and Social Emancipation and Voluntary and Mutual Self-help feature in the fourth paragraph in the Resolution on Co-operative Values adopted by Congress. I have now given an initial insight into these values from a gender perspective.

Let me do the same with the report's chapters on "Capital Formation for Democratic Economy" and "Co-operative Effectivity and Efficiency for the Future" where the lack of a gender perspective is as obvious. In the report there is no analysis of the co-operative movement's financial needs in relation to the world-wide feminization of poverty. There is no attempt to analyse what the author calls effectiveness and efficiency in the movement and in society from women's perspectives.

### **Financial Needs and Potential**

And yet, the co-operative movement's capital formation and effectivity is of enormous interest to women the world over. Not only as a basis for the supply of contributions to the poorer members of the population - mostly women that is. But also because women have enormous financial potential and energy to contribute to the co-operative movement. For example, in all countries today there is a community sector which the state has either never both-

ered about or is quickly leaving to its fate. This sector is today dominated by unpaid women or low-paid women, hierarchically led by male political leaders and managers. This sector provides an enormous "market" for Co-operative Democratic Economy.

We have two alternatives. The first is to let things continue as they are. Then the community sector will be a sector where private companies grow and profit from low-paid women's work or where women, in addition to their workload in the family and as employees in industry and agriculture, will be doing unpaid work for the good of society.

The other alternative is to make this a major area where the co-operative movement fulfils its genuine commitment to the basic values of Social and Economic Emancipation and demonstrates effectiveness and efficiency. It would certainly be of great interest to study women's perceptions of effectiveness and efficiency in this context!

In paragraph 5 of the adopted Resolution on Co-operative Values it is stated that above all, "the basis of co-operation is the member, whose interests and needs must at all times be reflected in the objectives and work of co-operative organisations". I have just pointed out how the co-operative movement is not meeting women members practical and strategic needs.

In his report Sven Åke Böök in one paragraph refers to women as "the most essential hidden resources for the future co-operative way". And he continues: "These resources should be unleashed". Let me strongly underline

that the co-operative movement cannot continue decade after decade to regard women as "hidden resources to be "unleashed" sometime or other.

### **Affirmative Actions Now**

Affirmative actions must be taken NOW to make women visible, our needs recognized, and our values, skills and energy utilised at all levels in the co-operative movement. It is certainly not only a question of justice. It is far more a question of the survival, development and success of the co-operative movement.

We can only achieve equality between women and men through affirmative actions. This has been understood by a growing number of countries. In my country, Sweden for example, we have had for quite some years now a law on equality between women and men which clearly states that affirmative actions to achieve equality must be taken.

Surely it is a disgrace for the co-operative movement to wait to be forced by law to implement affirmative actions. We should take the lead! In summary: Co-operative Principles and Practices for the future must be approached from a Gender perspective!

There is no democracy without equality between women and men! To maintain its credibility and lifeforce the co-operative movement must achieve equality!

The question of inequality between the sexes is NOT subordinate to the lack of equality between social classes!

Equality between the sexes cannot be achieved without affirmative actions within all parts of the co-operative movement!

A gender perspective must be applied to all co-operative plans and activities in the future!

# ICA Policy on Women in Co-operative Development

---

*Women have always been associated with co-operation, but despite co-operative principles calling for a democratic movement with open and voluntary membership with no discrimination, reality has far too often seen women being prevented from playing an equal role with men, the reasons ranging from discriminatory legislation and traditional economic dependence to sheer prejudice.*

*One of the primary objectives of the ICA is to act as a catalyst for co-operative development in all parts of the world. Both the ICA Policy for Co-operative Development and the ICA Policy on Human Resource Development were formulated in order to outline strategies to guide activities in the area of co-operative development.*

*The equal participation and integration of women in co-operative development has long been a major concern of the ICA, but due to the absence of an overall global policy providing guidelines for the formulation of viable gender strategies, follow-up in terms of gender focus and programmes has been inconsistent. The ICA Policy on Women in Co-operative Development was formulated to alleviate this constraint.*

*In consultation with regional committees and councils, ICA's regional offices will now formulate their own regional gender policies which*



*will be based on the global policy but adapted to local conditions. Together, these documents should be seen to voice the ideals and intentions of a world organisation with basic values and common objectives, but also with a diversity of culture, traditions and priorities that can find their expression in policies and strategies that also address regional concerns.*

*A number of people both from our ranks and collaborating organisations have been consulted and asked about their views on this document. This includes of course members of the ICA Women's Committee. We have been pleased to receive valuable inputs, and the generally very positive 'reviews' have led us to believe that this policy proposal does indeed respond to our need for an ICA statement on the important issue of gender integration.*

---

\* The introduction to the Policy is presented by Jan-Eirik Imbsen, ICA Human Resource Development Director.

*Co-operatives are based on the idea of democracy and the full participation of each member without regard to gender and other arbitrary forms of discrimination. Despite this fact, women have been prevented from fully participating in the co-operative development process due to discriminatory legislation, traditional economic dependence and prejudice.*

## **Policy Background**

One of the primary objectives of the ICA is to act as a catalyst for co-operative development in all parts of the world. Both the ICA Policy for Co-operative Development and the ICA Policy on Human Resource Development (HRD) were formulated in order to outline strategies to guide activities in the area of co-operative development. Although women have been included within these policies, follow-up in terms of strategies and programmes has been inconsistent.

The participation of women in co-operatives has been a concern of the ICA since 1895. The Women's Co-operative Guild which later gave rise to the ICA Women's Committee, was and continues to be active in promoting women's full participation in co-operatives. However, in the absence of a clear ICA global policy providing guidelines for the formulation of viable strategies for women, existing programmes have not been able to sufficiently focus on women.

Cognizant of the fact that previous efforts to promote women's role in co-operatives have produced inadequate results, the ICA has formulated this global policy on women in co-operative development.

## **Development Objectives**

The aim of the ICA Policy on Women in Co-operative Development is twofold:

- (a) to assure the effective participation and full integration of women in co-operative development at all levels, and
- (b) to contribute to the effective implementation of the ICA Policy for Co-operative Development in accordance with the ICA Policy on HRD in Co-operatives in the Third World.

The ICA Policy for Co-operative Development emphasises the establishment and growth of independent, democratic and viable co-operative organisations, in which men and women participate on equal terms. These co-operative organisations must be capable of serving their members efficiently and contributing to economic and social equity in their respective communities and countries.

The ICA Policy on HRD in Co-operatives emphasises the need for intensified education and mobilisation programmes for members particularly for women, who to a great extent have been overlooked but are essential to the overall success and development of the co-operative movement.

## Target Groups

Broad participation through the mobilisation of the total human potential for development is a prerequisite for the achievement of our policy objective. It is therefore essential that the following institutions and groupings be involved in this process:

### 1. States and Policy-makers

In many parts of the world, especially in developing countries characterized by economic stagnation and negative growth, continued population increase, heavy debt burdens and adjustment programmes with subsequent reduction of public expenditures for social programmes, the situation of women has deteriorated. In order for women's rights be guaranteed, it is essential that:

- \* women's needs, skills and resources be acknowledged,
- \* constitutions, laws and civic and labour codes be revised in order to eliminate the legal basis for discrimination,
- \* legal protection be provided for women's access to land ownership, credit, basic education, training, health, child-care facilities and other social services that are necessary for the full integration of women into the development process.

### 2. Development Agencies

Development agencies have for decades primarily targeted men in their projects which have been for most part designed by men. It is therefore essential that:

- \* gender planning methods be applied which take into account the different needs and roles of women in society,
- \* it be recognised that by ignoring women's key role in economic development, the potential for development is seriously undermined,
- \* loan programmes be initiated.

### 3. Financial Institutions

Restrictions in access to credit limit the potential to increase the productive contributions of women. Factors that inhibit women's demands are transaction costs, collateral requirements, cumbersome application procedures and cultural constraints.

It is therefore essential that:

- \* reforms of financial markets, development of loan programmes, intermediary institutions, advisory services and legal reforms be initiated to facilitate women's access to finance,
- \* promotion of thrift and credit co-operatives, which have a proven record of involving women, be encouraged.

#### **4. Training Institutions**

Women's co-operatives have often lacked business skills and administrative capacity due to the inadequate provision of education and training for women. It is therefore essential that:

- \* provision be made for specialised education and training programmes for women, aimed at developing their financial, technical and managerial skills, and
- \* financial support for such education and training be provided.

#### **5. Women's Groupings**

To boost women's participation, it is essential that women's groups and individuals:

- \* build informal or support networks for women,
- \* introduce if necessary special measures to increase the proportion of women involved in decision-making,
- \* encourage women to fully exercise their rights,
- \* maintain rosters of qualified women.

#### **6. Members, Committee Members, Co-op Leaders and Staff**

Co-operatives in which the talents and capabilities of women are given full play will enjoy great advantages in the future. It is therefore essential that:

- \* gender awareness be promoted, so that
- \* women be enabled to occupy positions in a complete sense as members and managers,
- \* women be promoted to decision-making positions at every level.

#### **Activities**

In order to translate the policy aims into affirmative action, the ICA will address issues that highlight the close linkage between gender issues and development, e.g:

- (a) gender analysis/awareness and sensitisation,
- (b) revision of existing policies and strategies for co-operative development,
- (c) education and training programmes/capacity building,
- (d) networking,
- (e) policy dialogue,



- (f) research,
- (g) resource mobilisation,
- (h) information,
- (i) advisory services,
- (j) establishment of mechanisms to implement gender policies.

## **Role of the ICA**

The ICA will:

- (a) promote women's role within the co-operative movement and co-operative projects, (the advantages and disadvantages of women only versus mixed co-operatives should be determined on case-by-case basis),
- (b) be a catalyst and coordinator of gender programmes and mobilise/ identify donor support,
- (c) promote women's/gender committees, or gender issues within the framework of HRD committees,
- (d) promote and influence action and discussion on gender issues in international, national and regional fora,
- (e) assist member organisations and training institutions in formulating policies, strategies and programmes designed to promote the role of women in co-operatives.

## **Regional Policies**

The priorities for gender programmes would differ from region to region. Hence it is suggested that various regional offices should formulate priorities, strategies and policies for their gender programmes in consultation with regional bodies.

## **Conclusion**

The ICA Board calls upon the member organisations to implement the gender policy with vigour and requests the development partners to support the efforts of the ICA and its regional offices in this direction. A concerted effort of this nature is enjoined on all engaged in co-operative development programmes for preparing the co-operatives to enter the 21st century with renewed confidence and strength.

March 1993

# Development Education - A World of Difference

by Nathalie McKinnon\*

A credit union is a member-owned, not-for-profit co-operative financial institution formed to permit its members to pool their savings, lend them to one another, and own the organization where they save, borrow, and obtain related financial services. By allowing low-income people to have access to credit, they play a very important role in the development of the less developed countries or areas.



Development education in general can be defined as the education of the citizens of developed countries on the development process. The 'Credit Union Development Education' programme of the United States of America was created to increase awareness about the final and main aim of credit unions, which is to foster human and social development.

This article presents that programme as well as similar programmes in Canada and Australia.

## **Development Education in the USA**

Development Education started to be

---

\* Ms. McKinnon works as Administrative Assistant with the European Office of the World Council of Credit Unions (WOCU). She has also trained as a Development Educator.

an issue of interest in the seventies. In March 1980, the US Presidential Commission on World Hunger issued a report in which the need to increase public awareness of the political, economic, technical and social factors relating to hunger and poverty was expressed. The US Government then decided to struggle against hunger and poverty through educational programmes on development issues. The 1980 Biden-Pell Amendment to the International Security and Development Co-operation Act stipulated that the US Government should devote 1 million dollars each year to promote development education.

In 1982 the National Youth Involvement Board (NYIB)<sup>1</sup>, with the collaboration of the World Council of Credit

Unions (WOCCU) and the CUNA Foundation, took this opportunity to launch the NYIB International Awareness Programme, which soon became the Credit Union Development Education Programme. The purpose of this programme is to 'communicate and promote the unique role of credit unions in co-operative development and to assist in obtaining support for credit union programmes worldwide'. The sponsor organizations are the Credit Union National Association of the USA (CUNA), the Credit Union Foundation (of the USA)<sup>2</sup>, the CUNA Mutual Insurance Group, the National Youth Involvement Board (NYIB) and the World Council of Credit Unions.

WOCCU is the international organization for credit unions and similar co-operative financial institutions. It has been a member of the International Co-operative Alliance since 1977. According to the latest statistics (1991), WOCCU represents nearly 42,000 credit unions and 89 million members in 87 countries. With 11 members<sup>3</sup>, 9 associate members<sup>4</sup> and one observer member<sup>5</sup>, WOCCU forms an international network whose aim is to assist members to organize, expand, improve and to integrate credit union and related institutions as effective instruments for the economic and social development of people. WOCCU supports the Development Education (DE) programme by providing human resources and training expertise. WOCCU staff was also involved in the initial development of the programme.

CUNA is the national trade organization for US leagues and their credit

unions and is a member of WOCCU. It was created in August 1934 after the Federal Credit Union Act was passed in the USA, 26 years after the first American credit union started. At the end of 1991, CUNA was regrouping 12,583 credit unions with 56.5 million members. CUNA not only directly sponsors the DE programme by providing human and financial resources but also does it through one of its service organizations, the Credit Union Foundation (of the USA). The Foundation was created in 1980 with the aim of raising funds to support credit union development projects worldwide. And since its creation, it has supported about 116 projects with a total of US\$ 2,589,187. Most of this money was donated to the Foundation by individuals, credit unions and leagues. The philosophy of the DE Programme perfectly matches the mission of the Foundation, which is to 'advance the credit union philosophy of People Helping People through support of credit union educational and development projects in the USA and abroad'. The Foundation supports the programme by providing resources and information.

The CUNA Mutual Insurance Society was created in May 1935 as credit union promoters were aware of the vital need to ensure credit union members. Initially, the company only provided individual credit life insurance to individual credit union members. In 1935, it started to provide Loan Protection insurance, and in 1938, Life Savings insurance. CUNA Mutual now provides insurance products and services to credit unions in more than 57 coun-

tries throughout the world. Together with CUNA, the CUNA Mutual Insurance Group<sup>6</sup> sponsors the National Youth Involvement Board (NYIB) which, in turn, sponsors the Development Education programme. The NYIB is made up of a delegate from each state of the USA). Its aim is to 'promote youth involvement throughout all levels of the credit union movement'. It achieves this goal through five areas, one of which being international awareness to promote credit unions as co-operative tools of social and economic development around the world. Not only did the NYIB launch the DE Programme, but it also continues to be a recruitment source.

During its three first years of operation, the DE programme was partly funded by the United States Agency for International Development (USAID) through the CUNA Foundation and is now fully funded by CUNA, the Credit Union Foundation (of the USA) and the sponsoring organizations. Two hundred and eighty four Development Educators representing 44 US states, Australia, Canada, Costa Rica, Ireland, Switzerland and the West Indies have been trained since 1982. As volunteering is an important aspect of co-operation, Development Educators perform their duties on a voluntary basis. The training consists of a six day intensive, but very enriching, learning experience. Besides improving their knowledge of the co-operative movement's history, trainees learn how to research development issues and make presentations. The annual training session takes place in Madison, Wisconsin, USA, where the Interna-

tional Credit Union Centre (comprising the headquarters of CUNA, CUNA Mutual Insurance Group, the Credit Union Foundation and WOCCU) is located. This means that the trainees have an opportunity to learn more about the international credit union movement by discussing with leaders and activists of the credit union movement and by visiting the centre.

The DE Programme places great emphasis on the philosophy of credit unions which emanates from the Credit Union Operating Principles. One of these principles states that credit union should focus on 'service to members'. The logo of the DE programme (below) reminds us that even though credit unions are part of a worldwide network, the core of that network is the member. Indeed, the first circle represents the individual member, the second circle the credit union, the third circle the chapters, the fourth circle the leagues, the fifth circle the confederations and, finally, the World Council of Credit Unions.

The importance given to the credit union philosophy by the programme can also be seen by the fact that 'Philosophy is Good Business' seminars are organized 10 times a year. These seminars are a condensed version of the training session and last 3 days.



**Development Education in Australia**  
Of the 284 trainees to date, three were from Australia in 1989. They were so enthusiastic about the DE programme that they decided to launch their own programme in Australia. It was adapted from the US model with slight changes. For example, they run two training sessions a year instead of one and each session lasts 4 days instead of 6. The emphasis remains on development issues, with more time being devoted to teaching and to presentation techniques.

The first Australian DE Training session was held in February 1991. Being so far away from Madison, they could not always ask WOCCU Technicians to contribute to the training. But Australia has its own experts on development. For the three first sessions, a WOCCU Technician on assignment in Asia contributed to the training. For the following sessions, the core staff implementing the training called upon Technical Experts from the Australian International Development Assistance Bureau, representing that Government's foreign assistance programme, and from non-governmental organizations.

Besides Australians including 6 Aborigines, 6 Fijians, 4 Papua New-Guineans and one Solomon Islander have been trained. The Australians hope to have trainees from Vanuatu or Kiribati next time. Three of the seven Australian States have yet to send participants to the DE training. The results of the Australian programme are very encouraging: the 100th Development Educator was trained during the

fifth session in January 1993. DEs are now well represented on CUSCAL Board, the national Membership Council and among the Australian Foundation for International Credit Union Development (AFICUD).

**Development Education in Canada**  
The Canadian credit union movement is represented by two organizations: the Canadian Co-operative Association (CCA) for the English-speaking movement, and the Confédération des Caisses Populaires et d'Economie Desjardins du Québec for the French-speaking movement. In 1991, three Canadians were trained in Madison. This reflects the CCA's concern about the fact that at the level of the average individual co-operative or credit union member or employee, awareness of the CCA's involvement in international development is quite low, and the number of people with any real understanding of the CCA's international role that much lower. The CCA therefore created a DE unit, whose aim is to inform and educate Canadian co-operators about international co-operative development.

Besides providing administrative support and producing information material, the national office of the CCA organizes an annual study tour for Board members, a DE study tour for individuals involved in DE, a press mission in a less developed country for journalists, and a national DE workshop. Regional offices are in charge of locally implementing the DE Programme. The DE programme started three years ago in Saskatchewan and Atlantic regions. DE is younger in



*Development Educators participate in a three-week WOCCU project in Grenada. As part of the project, computers were installed in a local credit union office.*

Alberta, Manitoba and Ontario, while British Columbia still doesn't have a formal DE programme.

The target audience of this programme is CCA leadership, co-operative leaders, co-operative members and high school students. It is the CCA's belief that, by demonstrating the value of international development to Canadian co-operators, development education is building and maintaining the movement support on which the CCA's continued involvement in international development is based.

### **Conclusion**

It is not by chance that the credit union development programme was born in the USA, in the same town as the WOCCU home office is located. The commitment of that programme's sponsor organizations to development issues is a reality. For example, as of January 1993, WOCCU was involved

in 23 development projects for a total amount of US\$ 43,880,869. After 10 years of existence, the value of the DE Programme no longer needs to be proved. It was already recognised in 1986, when it was granted an Excellence Award by the Association of Co-operative Educators (USA) for being an outstanding educational programme. Since 1982, development educators trained in the USA have made nearly 4,000 presentations to an audience totalling 200,000 people, published 900 articles and promoted the unique role of credit unions in international development through many other activities.

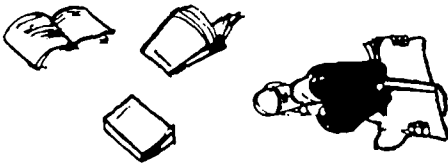
At a time when more than half of the world's countries are classified as poor or very poor, development education will remain one of the best ways to ensure that more and more people become aware that it is necessary to help people help themselves, through co-operatives or credit unions.



*Visiting a perfume factory is part of a WOCCU three-week project for Development Educators.*

## References

- <sup>1</sup> The NYIB is a US private and voluntary organisation. It is a national network of delegates representing the 52 state credit union leagues.
- <sup>2</sup> Formerly the CUNA Foundation.
- <sup>3</sup> African Confederation of Cooperative Savings and Credit Association (ACCOSCA) with 27 national members; Asian Confederation of Credit Unions (ACCU) with 14 national members; Caribbean Confederation of Credit Unions (CCCU) with 19 national members; Latin American Confederation of Credit Unions with 18 national members; Credit Union Central of Canada regrouping 8 provinces; Credit Union National Association (of the USA) CUNA; Credit Union Services Corporation (Australia) Ltd (CUSCAL); and four free standing leagues (Fiji, Great Britain, Ireland and New Zealand).
- <sup>4</sup> AMFIE (Europe), the Austrian Raiffeisen Association, Crédit Mutuel Confédération (France), the CUMIS Group Ltd (Canada), the CUNA Mutual Insurance Group (USA), the Desjardins Group (Québec, Canada), ECCU Assurance Company Ltd (Ireland), Finafrica Foundation (Italy) and the International Raiffeisen Union (IRU).
- <sup>5</sup> The International Cooperative Banking Association (ICBA) of the ICA.
- <sup>6</sup> The CUNA Mutual Insurance Group is composed of the CUNA Mutual Insurance Society and 8 subsidiary companies providing insurance to credit unions.



# Book Reviews

## Property and Contract in Economics: The Case for Economic Democracy

by David P. Ellerman

*Published by: Blackwell Publishers Inc. 1992. Cloth Price \$49.95 ISBN 1-55786-309-1 HB701.E45. Postage and Handling: US\$2.50 Outside US: \$6.00. Mail prepaid orders to: Blackwell Publishers, 64 Depot Road, Colchester, VT 05446, USA, Or call Toll-free: (800) 445-6638 [Vt & Canada (802) 878-0315]*

This book argues that the recently-deceased Capitalism-Socialism Debate was wrong-headed from the beginning: like a 'debate' over private or public ownership of slaves. The question was not private or public slavery, but slavery versus self-ownership. Similarly, this book argues that the question is not whether people should be private employees (capitalism) or public employees (socialism), but whether people should be hired or rented as employees at all versus always being jointly self-employed as in employee-owned companies.

The book re-examines the basic principles of private property and contract to obtain results at odds with the employer-employee relation and in favour of universal self-employment or economic democracy. Joint self-employment in the firm is the economic version of joint self-determination or political democracy in society. Private property should be based on people

getting the fruits of their labour, but that only happens under joint self-employment. Market contracts should only apply to what can be transferred, but a person's labour is not really transferable (as we easily recognize in the case of hired criminals). This book traces these ideas - the labour theory of property and the notion of inalienable rights - from the ancient Stoics through the Reformation and Enlightenment, and restates the ideas in modern terms with critical applications to economic theory.

Excerpts from a Pre-publication Review: (by Professor Don Lavoie of George Mason University, a neo-Austrian economist):

The book's radical reinterpretation of property and contract is, I think, among the most powerful critiques of mainstream economics ever developed. It undermines the neoclassical way of thinking about property by articulat-



ing a theory of inalienable rights, and constructs out of this perspective a 'labour theory of property' which is as different from Marx's labour theory of value as it is from neoclassicism. It traces roots of such ideas in some fascinating and largely forgotten strands of the history of economics. It draws

attention to the question of 'responsibility', which neoclassicism has utterly lost sight of. It is startlingly fresh in its overall approach, and unusually well written in its presentation.

... It constitutes a better case for its economic democracy viewpoint than anything else in the literature.

---

## Environment and Co-operatives

by G C Shrotriya and Daman Prakash

*Published by the ICAROAP, New Delhi; 215 pp, price Indian Rs. 300, US\$ 25.00*

This book deals with the major environmental problems of the Asia-Pacific Region which, with over half the world's population and almost three-quarters of the world's arable and permanently cropped land, has a population which is expected to have doubled from 1980 levels by the year 2000. Faced with these problems, the Region's main response has been to increase agricultural production by intensifying cultivation on a more-or-less fixed land resource base. Now there are questions as to whether this continued growth in agriculture, fisheries and forestry development can be continued in a sustainable and environmentally-sound manner.

Two particularly acute problems are deforestation and the use of pesticides. The annual rate of deforestation in Indonesia is over half a million hectares. In 1985 the Asia-Pacific Region ac-

counted for 16 percent of the world's pesticide market. Expenditure on pesticides is expected to double by 1996, thereby increasing the negative effects on human health, the environment, and pest resistance.

This Study Report is a valuable and most topical resource for academics, administrators, policy makers and resource centres concerned with co-operatives and the environment.

Sustainability Factors: Growth in population, reduction in agricultural land, contamination of air and soil, and improper use of technology contribute to the degradation of the environment. This degradation has resulted in: i) global warming; ii) rise in sea-level; iii) depletion of the ozone layer; iv) occurrence of acid rain; and v) climatic changes.

Co-operatives are peoples' self-help organizations. They are active in the agricultural production, processing and distribution of food resources for a vast number of people throughout the world. A variety of farm inputs are handled, as are the warehousing and transport of stored food. All these activities are closely linked to environmental factors. Here are the responsibilities which co-operative institutions have to fulfil in an environment-friendly manner. Co-operatives are partners in development. Development, to be sustainable, should be: i) carried out in a sustained manner so that the development of co-operative institutions, and their character, is preserved and sustained; ii) in accordance with the principle of equity; iii) representing the aspirations of the people - the general membership of co-operative institutions; iv) enlisting the collaboration and co-operation of the international community; and v) carried out with due respect to environmental considerations.

**Women as Development Partners:** Women can play an important role in the protection of the environment and in sustaining co-operative development as: i) equal partners in the process of development and ii) promoters of family welfare programmes. Women, as members of co-operative institutions, are co-owners and co-managers of these institutions. They can contribute to the movement by encouraging their husbands to agree to smaller families.

**The Regional Study:** During the year 1991-92, ICA's Regional Office for Asia

and the Pacific (ROAP) decided to undertake a comprehensive Regional Study to identify the causes of imbalances within the ecosystem. The Study also aimed to develop suitable recommendations and national plans for the benefit of co-operative organizations in the Region.

**Study objectives:** The main objectives of the Regional Study were to: i) identify the environmental issues faced by co-operatives; ii) take stock of the effective and viable environmental protection measures already undertaken by co-operatives environment and contributions made by the co-operatives; iii) suggest methods and techniques through which greater awareness about environmental issues may be developed among all member-countries of the ICA; iv) develop programme strategies and action plans (short-term and long-term) to enable each participating organization to improve the environment within their organizations and nationally; and v) make suitable recommendations for each country and to the ICA ROAP, and suggest follow-up activities to implement and monitor local, national and regional plans of action.

**Contents:**

- State of Environment in Asia - An Overview
- Study findings and recommendations
- Papers on the national situation in China, India, Indonesia, Japan, the Philippines, and Thailand
- Text of the Rio (Earth Summit) Declaration on Environment Protection - 1992.

# A Middle Way: Rochdale Co-operatives in New South Wales 1859-1986

by G. J. Lewis

*Published by the Australian Association of Co-operatives, 1992. 368 pp, price \$ 29.95.*

Gary Lewis' *A Middle Way: Rochdale Co-operatives in New South Wales 1859-1986* is, with no more than mild exaggeration, history in the mould of Barbara Tuchman, unfolded at the pace of a Robert Ludlum thriller to a tragic conclusion reminiscent of Shakespeare. Lewis describes the rise and untimely demise of the extensive network of local co-operative stores on the model pioneered in Britain by the Rochdale Pioneers, which was at its zenith in New South Wales as recently as 1949 and is now forgotten almost as completely as if it had never existed. Allegations of foul play, that Rochdale co-operation was done to death by unscrupulous private sector competitors, or destroyed from within by utopian fifth columnists, are inspected and dismissed. A verdict tantamount to suicide is returned. In the process, a cautionary tale emerges, which will repay study by both credit unions and such other sectors of the broad co-operative movement as are currently experiencing success. Irrespective of whether Lewis' account and argument are accepted in every respect, they cannot be ignored. The book should be read, and will be relished, by all those who have at heart the well-being of the co-operative approach, and would like to see it adopted more widely and to the best possible effect.

Best-sellers such as *The Proud Tower* and *The Guns of August* apart, Barbara Tuchman is the author of a notable series of essays on how history is written. 'Corroborative detail', she argues, 'is the great corrective'. Without it historical narrative and interpretation, both, may slip easily into the invalid. It is a disciplinarian. It forces the historian who uses and respects it to cleave to the truth. It keeps him from soaring off the ground into theories of his own invention.

Lewis is similarly appreciative of the uses of corroborative detail. His conclusions stem directly from the wealth of new information which has rewarded his discerning eye and meticulous research. Facts, figures, dates and quotations impart massive authority to the text without overloading it, as may well have been tempting, or coming between the general reader and the argument. The pen-portraits of protagonists such as Frank Pulsford, Ken Booth, Bob 'Brass Tacks' Grierson and Margaret Jones are shrewdly observed and succinct. For those who choose to explore the issues more deeply, there are sixty-four pages of richly informative end-notes, eight appendices, an extensive bibliography and an immensely helpful glossary of people, organizations and terms.

Lewis has the added advantage of sharing with writers like Ludlum the ability to move forward his story at a brisk pace. Things are happening constantly, there are no flat or boring passages and the reader's interest is consummately maintained. As in all thrillers, the driving force is conflict. Far from working harmoniously with one another, as their beliefs might have been supposed to dictate, individuals, factions and organizations within the NSW Rochdale movement were at one another's throats virtually from the movement's inception. In addition, the movement feuded externally with other forms of co-operative, including primary producer co-operatives, building societies and the fledgling credit unions, which the co-operative principles required it to accept and support as allies. There were also recurrent fallings-out with capitalists, socialists, the trade union movement and Governments. The only enemy the movement consistently failed to identify was the most important of them all, and the one which finally brought about its destruction: itself.

Lewis, therefore, benefits finally from having for his subject a tragedy of authentically Shakespearean proportions. The NSW Rochdale movement was able to draw on principles and practices which were succeeding triumphantly in Britain. Its leaders in many instances were men, but rarely women, of high standing in the eyes of their fellow citizens and of considerable ability. Their actions were mostly motivated by the best of intentions, and genuinely seen by them as being in the best interests of a cause to which

they were genuinely devoted. The movement had the support of loyal, and for many years increasingly numerous, members, who often invested in it their hopes not only for direct cash benefits in the form of the 'divvy' but for a new economic and social order. The services which it had to offer were genuinely relevant to the needs of the communities of which it was a part, and in many, perhaps most, instances were efficiently and economically delivered. It was ideally placed to foster new applications for the co-operative approach, and raise public consciousness of the advantages of co-operation. If it had done so, co-operation in all its forms might now be much more widespread than is in fact the case, and we would all be a great deal better off.

In the event, all these great advantages and opportunities were dissipated, and the NSW Rochdale movement is now, for all practical purposes, extinct. That this need never have happened can be plainly seen from experience in Britain and the many European Community nations where Rochdale co-operation is now successfully integrating modern business practices with its traditional philosophy and principles; in Japan, where massive markets for a modified Rochdale co-operation are being opened up around the demand for pure and environmentally-sound food; and at Mondragon in Spain, where the Eroski supermarket co-operatives have moved beyond Rochdale with memberships comprised jointly of their customers and workers, and are linked to that most notable of all financial services co-operatives, the Caja Laboral Popular.

Like all great tragedies, the downfall of Rochdale co-operation in NSW prompts us to experience pity for the victims, but also to look more closely at ourselves. Many of the factors identified by Lewis as having contributed to the debacle are apparent in the Australian co-operative movement today. Cases in point are the failure to adhere to co-operative principles, which has brought about disunity within the credit co-operative movement, and the establishment of separate special services providers; the failure of most co-operatives, including most credit co-operatives, to affiliate with the Australian Association of Co-operatives (AAC); the establishment by the AAC of financial services for its affiliates separate from those available through the credit co-operative movement; the absence of direct links between the credit and general co-operatives and other mutualist bodies such as terminating building societies, permanent building societies, friendly societies and mutual insurance societies; and the absence of adequate arrangements for co-operative and mutualist education.

As Santayana reminds us, those who cannot remember the past are doomed to repeat it. We are all indebted to Lewis and his publishers, the AAC, for giving back to us a part of the history of our movement which, until now, has largely been lost to us. In so doing, they have provided an opportunity for us to note the parallels which are so plainly present within our present situation, draw appropriate conclusions and, perhaps, remedy our shortcomings. As recently as 1949, it would have seemed inconceivable to the leaders of NSW Rochdale co-operation that their movement had no future, or that the opportunities which appeared to be opening up for them would soon be seen to have vanished. Still less would they have been able to identify the aspects of their own behaviour which were actively promoting so unwelcome an outcome. The release of this important book tears away, once and for all, the fig-leaf of our lack of a sufficiently widespread or accessible institutional memory. We cannot now claim that we have not been warned.

Race Matthews

# **Making Mondragon: The Growth and Dynamics of the Worker Co-operative Complex**

by W. F. Whyte and K. K. Whyte

*Published by I.L.R. Press, Cornell University, 1988.*

# **We Build the Road as we Travel**

by Roy Morrison

*Published by New Society Publishers, Philadelphia, 1991.*

I began hearing about the industrial co-operatives at Mondragon in Spain around 1980. Even then, the accounts of their success in overcoming massive unemployment and boosting productivity were dazzling. In 1985 I visited Mondragon and saw for myself that what was being said was true. The recent appearance of two authoritative studies of the Mondragon co-operatives, *Making Mondragon: The Growth and Dynamics of the Worker Co-operative Complex*, by Bill and Kathleen Whyte, and *We Build the Road as we Travel*, by Roy Morrison, has made details of the work at Mondragon widely available for the first time. Morrison's title is an apt quotation from the work of the Mondragon co-operatives' founder, José Maria Arizmendiarieta. The Whytes report on a seventeen-year study for the Cornell University School of Industrial and Labour Relations, which examined how the co-operatives came into existence, their initial spectacular growth, the response to

recession in the seventies and their triumphantly successful restructuring and resumption of growth in the 80s.

The essentials of the Mondragon story are simple. Mondragon is a small town in the Basque region, principally engaged, since the middle ages, in producing steel. In the nineteen-thirties the regional economy was devastated by the Spanish Civil War. Poverty and massive unemployment remained endemic well into the nineteen-fifties. At that point, a handful of townspeople established an industrial co-op, Ulgor, using hand tools and sheet metal to manufacture paraffin-fired heating and cooking stoves for the local market. What has developed from that small beginning over the subsequent thirty-odd years is a group of more than 100 industrial co-ops with a workforce in excess of 21,000 members and sales in 1987 of around US\$ 1.57 billion. No Mondragon worker has ever been made redundant, and more than a third of the group's output is exported.

The success of the co-operatives stems from the fact that every worker is a stakeholder, who shares equally in the profits and, on occasion, losses of the co-operative of which he is a part-owner. His rights as a member include participating directly in making the policies of the co-operative, which then delegates the day-to-day conduct of its affairs to a manager hired for the purpose on contract. As both Morrison and the Whytes illustrate clearly, these entitlements, and the obligations which go with them, are taken seriously. However, if the story had no more to it than that, the Mondragon co-operatives might, like some, but by no means all, worker-owned co-operatives and companies in other countries, have had a short lifespan or failed to achieve acceptable rates of growth. The key difference, over and above the checks and balances designed into the structure of the co-operatives by Arizmendiarieta, is that, shortly after the inception of the group, they launched a bank, the Caja Laboral Popular. The Caja Laboral Popular, now the thirteenth largest savings bank in Spain, with a staff of twelve hundred, 180 branch offices and assets of US\$ 3 billion, has made the Mondragon co-operatives self-sufficient in capital and equipped them with comprehensive financial services and skills. It is a 'support' or 'secondary' co-operative, governed jointly by representatives of its staff and affiliated industrial or primary co-operatives.

The bank in turn has given rise to further support co-operatives. For example, since members of co-operatives are classified by Spanish law as self-

employed, and therefore ineligible for pensions, health care and other social security benefits, the group has had to develop a social security system of its own, the Lagun Aro support co-operative. The Ikerian research and development support co-operative keeps the group abreast of technological and scientific advances, and, at the time of my visit, was specializing in numerical-controlled machine tools, artificial intelligence and robotics. The group's university of technology, the Eskola Politeknikoa, is a support co-operative, as are its school of business administration, Ikasbide, and its forty-odd Hezibide Elkartea primary and secondary schools. The sixty-five hundred students currently taking degree courses at Mondragon, and the thirty-five hundred taking other types of training, can, where necessary, pay their way as members of a co-operative of their own, Alecoop, producing, among other things, teaching machines. Finally, the Mondragon group includes six construction co-operatives, eight agricultural co-operatives, fifteen housing co-operatives and 271 Eroski co-operative supermarkets and other stores.

Following the establishment of Ulgor in 1954, the Mondragon co-operatives experienced spectacular growth. The expansionary phase then ground to a halt in the seventies, in the face of the first oil price shock and the onset of a recession which was experienced far more keenly in Spain than in most other parts of Europe. Faced in the eighties with continuing financial stringency and the imminent prospect of Spain's entry into Europe, the group

conducted an exhaustive reappraisal of its position, followed by a root-and-branch restructuring which placed its activities on secure foundations while preserving intact its guiding philosophy, principles and structure. The Whytes in particular offer a fascinating account of how the membership was able to work its way through successfully to agreement on the necessary changes, and emerge strengthened from the process. What is provided here is an object lesson in the capacity of ordinary people to adopt and adhere to difficult decisions which they have been enabled to understand and own.

As stakeholders, the Mondragon workers expect high standards of wealth creation from those to whom the governance and management of the co-operatives is delegated. Unlike shareholders in conventional corporations, they are in a position to both monitor performance directly on a day-to-day basis, and develop informed views about the need for improvements and how they can be brought about. The outcome is seen by many as being an 'institutionalization of entrepreneurship'. Even so, the concern of state socialist critics, such as Beatrice and Sidney Webb, that the interests of producer co-operatives would necessarily be incompatible with those of consumers, and therefore of the wider community, has proved to be unfounded. The difference is owed substantially to the adherence of the co-operatives to Arizmendiarieta's principle of *equilibrio*, of balance in the relationship of individual co-operatives with one another, of industrial co-operatives

with support co-operatives and of co-operatives both individually and collectively with the communities of which they are a part. As the Whytes write:

"In the discussion of important decisions, the word *equilibrio* appears again and again as the justification for any action proposed. The basic idea is that life in a co-operative should not be carried on as if it were a zero-sum game in which some win and some lose. There must be a balancing of interests and needs; we hear it said that technological imperatives must be balanced with social objectives and that the financial needs of the firm must be balanced with the economic needs of members".

Morrison sees *equilibrio* as the key to a successful integration of human freedom and community.

The nineties find the Mondragon co-operatives once again undergoing expansion. Membership, the number of co-operatives, earnings and exports are all up. New markets are being acquired. A random selection of current products includes industrial robots, heavy earth-moving machinery, tugs, fishing-boats and other small ocean-going vessels, buses and motor coaches, machine tools and hydraulic presses, refrigerators, washing machines and other white goods, furniture and hi-fi systems. As before, the productivity of the co-operatives is higher by far than that of comparable private businesses in nearby areas, and signs of disfunction, such as absenteeism, are spectacularly lower. Clearly somebody is doing something spectacularly right.



What emerges from these accounts is a compelling case for Australia to pay attention to how the Mondragon community has gone about tackling problems which, in many respects, are similar to our own. It is possible for us to learn from what has been accomplished at Mondragon without necessarily setting out to adopt the model in its entirety. What stands in our way is our endemic incuriosity. Early on in the life of the Cain Government, I sent each of my fellow Ministers a copy of *Mondragon: An Economic Analysis* by Henk Thomas and Chris Logan, then the only substantial account of Mondragon available, in the conviction that there were insights in it which could help us to achieve our objectives of reinvigorating the Victorian economy and building a fairer social order. There was never any indication that they had been read, and no acknowledgements were received. To the best of my knowledge, no current

Commonwealth or State Ministers have ever visited Mondragon, nor has Mondragon ever been included in the itineraries of any of the innumerable delegations from the A.C.T.U. and individual trade unions which have undertaken overseas study tours and fact-finding missions in recent years. It would be nice to think that Mr Keating and Dr Hewson now have *Making Mondragon*, and *We Build the Road as we Travel*, among their current bedside reading, and intend to include Mondragon among their ports-of-call when next they are abroad. In the meantime, some of the time and energy the rest of us are currently devoting to deploring our present predicament could usefully be diverted to working out how, in practical terms, the Mondragon experience can be applied to Australian realities and requirements, and seeing that it is done.

Race Matthews

---

## Co-operatives Today: Their Basic Problems

Edited by Hiromichi Nishimura

*Published by Keibunsha, Kyoto, Japan, price Yen 1600, including postage.*

Has the co-operative lost its reason for existence in contemporary society? In the Western developed countries the co-operative movement seems to be in crisis. Then, how can we understand the progressive development of consumers' co-operatives in Japan and some other countries? Can this be explained by special market condi-

tions in Japan or by the system of member's participation in a small unit "Han" (small group)? What are the causes of the growth of workers' co-operatives in Spain and some other countries?

This book focuses on the main issues of the ICA congress in Tokyo, 1992. Leading scholars and leaders of the co-op-

erative movement in Japan discuss the history, present situation and future perspective of the co-operative movement in Japan and worldwide, and seek to identify its 'basic values'. This book helps the reader to improve his understanding of the co-operative movement and encourages the movement's future. It is highly recommended to all co-operative members and those concerned with the co-operative movement.

## Contents

### Preface:

Co-operatives Today and Their Basic Values: Market, Life, Labour and 'Participation' by the book's editor, Hiromichi Nishimura (Professor of Economics, Doshisha University; Executive Director, The Society for the Study of Workers' Welfare in Japan) Lessons to Study from the World Co-operative:

- I Movement and the History of the ICA by Masao Ohya (Executive Director, Japanese Consumers' Co-operative Union - JCCU)

- II The Experience in Socialist Countries and its Summary by Akira Matsubara (Professor of Economics, Waseda University)

- III The Significance of the Workers' Co-operative Movement: Problems of Values and Principles by Kenji Tomizawa (Professor of Economics, Hitosubashi University; President, Japanese Society for Co-operative Studies)

### The Co-operative Movement and its Issues:

- I Consumers' Co-operatives and Other Co-operative Enterprises Movements by the Workers by Tokiya Sugimoto (Executive Director, The Association of Labour Banks in Japan)
- II The Development of Japanese Multi-purpose Co-operatives and its Contemporary Situation by Tetsuo Takeuchi (Professor of Economics, Nara Women's University; Former President, Japanese Society for Co-operative Studies)

# Co-operatives and the State: Partners in Development? A Human Resource Perspective

by Alf Carlsson

*Published by the Institute of International Education, Stockholm Univ., 1992, ISBN 91-7153-013-4, ISSN 0348-95-23, 235 pp*

## Where Angels Fear to Tread

In 1976, the British Council invited me to Tanzania to teach in the Institute of Workers' Education in Dar es Salaam. My reasons for accepting were simple. First, Tanzania had an established reputation for Co-operative development. Secondly, Julius Nyerere, the President of Tanzania, was a person I had long admired. He appeared to be a Christian humanist, an effective politician and the great champion of adult education in Africa. I saw him as an intellectual descendant of Lord Wilberforce, the Claham Sect, Maurice, Neale, Hughes and the Christian Socialists. With a strong sense of idealism, then, I started my teaching stint in the dry summer heat at the Institute on Lumumba Avenue, Dar es Salaam. Once in front of a class of over 30 people, the majority qualified school teachers destined to be the elite of adult educators, my naivety evaporated under a series of shocks.

## A Series of Shocks

My first shock was that the course members, as a group, obviously labelled me as a representative of the imperialist class of capitalist oppressors. It took a lively exchange of views to correct that particular attitude.

The second shock was the discovery that these public servants seemed

highly politicised and adherents of a gullible "catechism-style" of Marxism. In fact, once their marxist ideology was placed under any kind of pressure it was soon revealed to be less than skin-deep and the cause of a great deal of muddled thinking.

The third shock was the discovery that the Tanzanian government in the May of 1976 had dissolved the Co-operative Unions, confiscated their assets and substituted a state-controlled front organisation. This was discovered after I had engineered a bone-shaking lift in a British Council land rover to Moshi to meet the staff at the Co-operative College.

As we talked it became clear that the teachers and administrators in Moshi were totally confused by this latest twist in the relationship between an established Co-operative movement and a one-party state. But worse was to follow, because gradually I sensed that the staff at Moshi viewed the Institute of Workers' Education in Dar es Salaam as little more than an adult education brain-washing factory operated by the state. Clearly, they saw me working for their oppressor in their hour of distress.

## Merits of the Book

Since those troubled weeks, many years ago, I have tried to fit the different

pieces of the Tanzanian jig-saw together. Now, at last, I can see the whole picture because of Alf Carlsson.

His is an interesting and important book for many reasons. Grounded on a foundation of practical knowledge of Co-operative development, development aid and personal training experience in Tanzania it deals with an issue, namely government/Co-operative relations, which is guaranteed continued relevance as long as there are Co-operatives operating in the world.

What makes the study especially impressive is that Carlsson has written his dissertation in a second language, English, and therefore made it accessible to a wider audience than would be possible if it was published just in Swedish. What a remarkable personal achievement!

### **Disappointments**

There are some disappointments in the book. The lack of an index makes it a difficult tool for scholars to use. If there is a second edition, hopefully the publishers will include one, even if it is a simple compute-generated index. A second and more fundamental disappointment relates to Carlsson's polarisation of the concepts of the state into (a) the classical-liberal view which sees the state serving the common good and providing a basic framework of services and laws and (b) the Marxist view which sees the state as the instrument of the ruling classes. The study would have been strengthened if it had included the Hayek, libertarian view, which sees both the modern liberal "consumerist" state and the Marxist "socialist" state as posing funda-

mental threats to the freedom of the citizen.

The Hayek view, which emphasises connections between a free market, the rule of law and individual liberty, is not one which can lightly be dismissed, particularly as variants have now been used to justify the "privatisation" of publicly owned assets and the policies of the IMF and the World Bank and are also appearing in the constitutional debates in Eastern Europe.

### **The Central Tension**

The story that emerges from the Carlsson study is that of a government/political party in serious competition with the Co-operative movement. The formal start of the competition was in 1967 with the TANU party's declaration for socialism - the Arusha Declaration. This document is a heady brew of paragon-posing, policy declarations and power-threats. The beliefs of the ruling party laid out in the declaration included:

"(h) That in order to ensure economic justice the state must have effective control over the principal means of production; and

(i) that it is the responsibility of the state to intervene in the economic life of the nation so as to ensure the well-being of all citizens, and so as to prevent the exploitation of one person by another or one group by another, and so prevent the accumulation of wealth to an extent which is inconsistent with the existence of a classless society." (Arusha Declaration, English version 5 February 1967 Part 1.)

It must be remembered that Tanzania was and is very poor; it is large (seven times the size of England with inland lakes three times the size of Wales) and has a relatively small population (half that of England). The aspirations of TANU were, from the outset, completely unrealistic. The same could be said of the aims and objectives outlined in the Arusha Declaration which included two that were incompatible:

“(f) To see that the Government actively assists in the formation and maintenance of Co-operative organisations:

(g) To see that wherever possible the Government itself directly participates in the economic development of this country;...” (Op.cit.)

The Arusha Declaration provided the basic story-line of a script that gradually unfolded over the next nine years. The Government and the Party felt no compunction about moulding, directing and finally nationalising the indigenous Co-operative movement.

While the powers of the head of state continued in the hands of Julius Nyerere, a man of conscience, intellect, imagination and integrity, the application of policy in the regions and at a local level sometimes fell to politicians and civil servants who were coarse, corrupt, racist, cruel and insolent to the poor. Without the intervening power of independent Co-ops, the peasant farmers found themselves at a disadvantage in their engagements and transactions with the agents of the state.

### **A Hope for the Future?**

Yet Tanzania did not lose its moral perspective. It alone was prepared to

break with the resistance of nations and send an army to Uganda to depose the tyrant Idi Amin in 1979. Despite its poverty it has managed to achieve one of the highest literacy rates in former colonial Africa. And it is now beginning to move towards the creation of a two-party state. Of course, a switch to a two-party or multi-party system will not, by itself, transform any society. However, it could be the prelude to a more pluralistic society in Tanzania.

### **A Recommendation for All?**

Students of Co-operative development both in developed and developing countries will find much to reflect on in Alf Carlsson's study. His hope is that his study will encourage other social scientists to see the Co-operative sector as a worthwhile field for research. I am sure they will. However, they will surely examine closely one of his principal policy recommendations, namely that the role of the state should be to ensure that Co-operatives primarily serve the interests of their members, promoting self-help and appropriate structures (p.209). This would, of course, be a revolutionary development in many developed as well as developing countries.

In the consumer Co-operatives of Britain, the memory of trading services targeted exclusively at a known membership is now largely confined to a dwindling band who can still recite their mother's dividend number. But who knows what the future will bring?

Bob Houlton

# Inventing the Co-operative

by Sven Bartilson

*Published by : Kooperativa Institutet, Stockholm, 1993, pp 148, price US\$ 30, order number 24-251*

There are English garden books and French garden books. Both have their partisans. In English garden books the knowledge is the readers' personal discovery made when walking through the pages. There is always a danger that an inattentive reader will in some way miss the message. English gardens are not for absent-minded wanderers.

The French garden books have large, well maintained lanes, meticulously designed borders, white statues and sparkling fountains. No one ever got lost in a French garden. Walking down gravelled footpaths gives one a continuously renewed feeling of clarity and simplicity.

*Inventing the Co-operative*, by Sven Bartilson, is a French garden book. With a preface which functions as a real "directions for use" of the text and not, as often happens as a bag of thank yous. The reader is slowly introduced to the purpose and construction of the book, and explained the whys and wherefores of different chapters. Thus prepared s/he can steadily follow the succession of 12 chapters where each one discusses a stage in the creation of a co-operative enterprise.

**Part 1, "The Beginning"**: discusses motivation and objectives helping to structure the starting-up process.

**Part 2, "Starting a Co-operative"**: describes steps to be taken in order to get the work done. No particular aspect of co-operative enterprise has been forgotten. The principles and basic concepts are explained, followed by financial and administrative matters. Chapters 2 and 3 are used to address questions related to co-operative work and decision-making. The author particularly insists on the good use of meetings: how to get new members involved, how to come to a consensus, how to avoid the meeting being dominated by one group. His advice - prepare your agenda beforehand, stick to it and keep minutes - sounds like common knowledge, but no doubt it will still be useful to the chairman of the new co-operative, when he becomes president of the federation.

Quite unusual for this kind of manual, the book examines the responsibilities of a co-operative as an employer. Suggestions are made regarding salaries, employment policy and job description. All chapters end in exercises, recommendation for reading and checklists.

A masterly and perceptive work which we would like to recommend to co-operative libraries and practitioners involved with new co-operatives.

Alina Pawlowska

# Theory of Co-operation - An In-depth Analysis

by Dr. O. R. Krishnaswami and Dr. V. Kulandaiswamy

*Shanma Publications, 378, 6th Street, Gandhipuram, Coimbatore - 641 012, INDIA  
1992, Price Rs. 175/- US\$ 25*

Co-operation was one of the economic miracles of the nineteenth century, for which earlier sporadic co-operative experiments had paved the way. From then onwards, a huge co-operative movement began to occupy a unique place in all economic systems, in both developed and developing countries. It is present in almost all economic activities including credit, production, processing, marketing, distribution, manufacturing, housing and international trade. Co-operation has also been instituted as a discipline in Universities and colleges and research on co-operation at micro and macro levels has gained momentum in recent years.

Co-operative thinkers and renowned academicians fascinated by the ideological supremacy and unique values of co-operation, devoted themselves to the study of co-operative concepts, principles and methods, creating a base for co-operative theory. As a result, diverse schools of thought developed and new literature on co-operation began to be published. Despite this, there was no single comprehensive volume on the theory of co-operation which provided in-depth analysis for advanced study and research. This book, by two experienced academicians and prolific writers, is definitely the first to fill the gap. It is a systematic

examination of co-operative theory at micro and macro levels. The authors have utilized various sources to present their ideas thematically and vividly.

Divided into two parts, i.e. micro and macro theory, the book opens with a description of the evolution of co-operation. The origin of the co-operative idea; the sporadic co-operative experiments of the past; reformist doctrines of Robert Owen, Charles Fourier, Saint Simon, Proudhon and Louis Blanc, and the emergence of co-operation as an alternative to capitalism and communism etc. are systematically highlighted with authentic sources.

The micro-theory, which consists of ten unit headings, deals with co-operation as an organization unit at micro-level. The key aspects examined critically and comprehensively include the essential nature of co-operation; socio-economic objectives of co-operation; and an analysis of co-operative principles. Co-operation as a social process, and the characteristics of co-operation as an association and an enterprise find a unique place. Co-operation as a business is explained carefully, with useful illustrations which demonstrate the unique features of co-operation. The topics: co-operation as a form of economic democracy; co-operation and the theory of distribu-

tion; and the social responsibility of co-operation have been lucidly described. Most refreshing, perhaps, are the discussions on micro-structural and functional issues such as voluntary v. compulsory co-operation; federal v. unitary structure; univalent v. polyvalent co-operatives; conventional v. integrated models; collective v. co-operative organizations etc.

The second part, with seven unit headings, is devoted to an examination of the macro-theory of co-operation. This part throws new light on the larger issues: the place of co-operation in different economic systems; co-operation as a sector, system and a movement; the role of co-operation in a planned economy and the need for planning by co-operatives etc. are significantly highlighted with clarity of thought. The relationship between State and co-operatives is analyzed from two angles: the attitude of the State to co-operatives and that of co-operatives to the State, and alternative models of relationship are suggested for the healthy growth of co-operatives. Due

emphasis is also given to co-operative education, extension study and research, which constitute an integral part of co-operative development. These models and approaches which form part of the strategy of genuine co-operative development in changing socio-political environments will be of immense use to developing nations.

Though some of the topics are not new, throughout the text the ideas are fairly well organized, and thoroughly discussed with the right emphasis and commendable clarity. Its good structure and neat execution meet international standards. The publication of this book is a signal service to the co-operative movement, at a time when co-operative values are being eroded and the global co-operative movement is at a crossroads. No doubt, this handy volume will be a valuable text book and source of reference material for students, teachers, researchers and administrators alike.

Dr. A. John Winfred

---

## Co-operatives in India and Pakistan: Some Aspects

by S.K. Saxena

*Published and reviewed by ICA Domus trust, New Delhi, pp 175, price US\$ 25.*

The book *Co-operatives in India and Pakistan: Some Aspects* by Dr. S. K. Saxena discusses major aspects of the Co-operative Movements in these countries. It opens with a discussion of Culture and Co-operatives and argues

strongly for taking into account the cultural perspective in understanding their problems. Concepts of Pan-chashile, Gotong Rojong, Satcha, Baynihan are cited, and it is argued that institutions which run counter to



the deeply embedded values underlying these concepts tend to perform at less than their optimum potential.

The Movements in the two countries are largely credit-oriented and the performance of both short and long-term credit institutions and their structure and activities are analyzed, with major problems being discussed in detail.

Against a historical background, the organization and operations of Land Development Banks in India are discussed. Major issues such as the sector's excessive dependence on Government finance, the high incidence of overdues and the desirability of having a separate long-term credit structure are examined. The question as to whether an integrated organization would result in economies and serve members' needs better is also raised, and the pros and cons of the two patterns are discussed.

A detailed study of India's National Co-operative Development Corporation outlines its achievements, weaknesses and limitations. Government control and intervention in both countries is pervasive. This must be curbed if the Movements are to respond effectively to members' needs and shed their present image of being Government, not people's, organizations. What can be done to mitigate the problem? Reform of the co-operative law is essential. Greater stringency will have to be exercised in registering new societies and the author introduces the concept of an 'autonomy index', which will help provide an objective measurement for ascertaining the Movement's capacity to run its own affairs.

The book devotes two chapters to education and training in India and Pakistan. Although the Movements have created many educational institutions throughout the two countries, these suffer from several weaknesses e.g. the training often fails to prepare trainees for the practical situations which they will encounter, recruitment of teachers from the ranks of those who are unwanted in the Co-operative Department, non-participatory teaching methods and the reluctance of leaders to release valued employees for training. Among the issues considered are the need for 'rolling' training, a realistic manpower policy, the relevance of interaction with outside institutions, adaptation of the curricula to local needs and effective systems of evaluation.

The final chapter presents brief case-studies of two co-operative or co-operative-like projects. The Anand Dairy in India and the Aga Khan Rural Support Programme in Pakistan have done outstanding work and may well provide the methodology for successful, autonomous co-operative development.

Dr. S.K. Saxena is an international authority on the Co-operative Movement. He writes with clarity, objectivity and sympathy and his clear objective style, together with his considerable knowledge, will help in the development of a sound Movement. The book will be invaluable for those concerned with the fate of the Co-operative Movements in the Third World, and essential reading for Co-operators in India and Pakistan.

# Review of International Co-operation



Volume 86 No. 2 1993



International Co-operative Alliance Officers:

President: Lars Marcus (Sweden)  
Vice-Presidents: Raija Itkonen (Finland)  
Mitsugu Horiuchi (Japan)

Opinions expressed in this publication are not necessarily those of the leadership and management of the ICA.

Contents may be reprinted without permission, but citation of source is requested and three copies of the publication concerned should be sent to ICA Review, 15, route des Morillons, 1218 Grand-Saconnex, Geneva, Switzerland.

The length of articles submitted should be a maximum of 10 pages typed in double spacing. If possible, please submit both a hard copy and a disquette stating which word processing software was used on IBM compatible or Macintosh hardware.

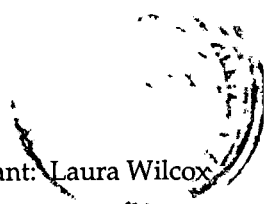
*Front cover: Location of ICA head office, Geneva.*

# Review of International Co-operation

Vol. 86 No. 2/1993

Editor: Mary Treacy

Editorial Assistant: Laura Wilcox



## Contents

**Editorial** ..... 2

### Co-operatives in Switzerland

Co-op Switzerland by Karl Weisskopf ..... 3  
Co-op Geneva- 125 Years of Consumer Co-op History  
by Marie-José Fournier ..... 8  
A Small Co-op Association Pursuing a Big Idea by Ernest Laub ..... 16  
Raiffeisen Banks in Switzerland by Felix Walker ..... 19  
Housing Co-operatives in Switzerland by Fritz Nigg ..... 23  
Migros - The Shortest of Stories by Bruno Ruf ..... 25  
A Transnational Partnership by Hermann Gerharter ..... 29  
United Dairies of Geneva by Gérard Charles ..... 33  
Co-operatives in Switzerland by Laurent Jimaja ..... 37

### Human Rights

ICA and Human Rights by UN DPI with  
introduction by MariaElena Chávez ..... 39

### Environmental Issues

Environmental Problems and the Japanese Co-op Movement  
by M. Shigaki ..... 45  
Exploring the Future of Recycling by the Japanese Consumers'  
Co-operative Union ..... 54

### Gender Issues

Regional Conference Focuses on Gender Issues by P. Nair ..... 56  
Reflections on Gender Planning ..... 58  
Joint Participation of Men and Women in Japanese Consumer  
Co-operatives by A. Yamauchi ..... 61

### Co-operative Principles

Recommitment at Manchester by Ian MacPherson ..... 63

**Book Reviews** ..... 67

# Editorial

The first ICA General Assembly, under the organisation's new structure will be held in Geneva, where the ICA Head Office is located.

It will be the first time, at least in the ICA's recent history, that a large international meeting will be held without having an ICA member organisation as host, and the Secretariat is working to make this meeting as fruitful and interesting as possible.



We are confident that visiting delegations will find their trip to Geneva both interesting and enjoyable and, in order that participants can have a better understanding of the Co-operative Movement in this country of democracy, we have dedicated this issue of the ICA Review almost exclusively to the co-operative movement in Switzerland.

The ICA is building on the discussions on the Basic Values of Co-operation in order to present a clear co-operative alternative for the world at the Manchester Congress when a Co-operative Charter will be adopted. Part of this process is a reconsideration of the Principles as they were defined by the ICA in 1966. In charge of this process is Dr. MacPherson, Dean of Humanities at the University of Victoria, Canada, a member of the ICA Board. In his article "Recommitment at Manchester", Ian brings our readers up-to-date with the work so far and asks for views from ICA member organisations and co-operators around the world.

Other themes in this issue are Japanese Co-ops and the Environment, Gender Issues, and the ICA and Human Rights.

If you are interested in learning more about the movement in Switzerland, please contact directly the organisations concerned.

*Mary Treacy, Editor*

# Co-op Switzerland

by Karl Weisskopf\*

The Swiss co-op group emerged from the consumer co-operatives established nationwide in the mid-19th century. In 1890 these joined together to form the Association of Swiss Co-operative Societies, the forerunner of today's Co-op Switzerland.

## Role of the Co-op Group

The co-op group now comprises the Co-op Schweiz headquarters and wholesaling operation, 28 regional co-operative societies active in the retail trade and over 30 manufacturing, trading and service operations.

The co-op group makes an appreciable contribution to the Swiss economy. With a consolidated turnover of 10.5 billion Swiss francs, it is the 13th largest company in the country. The group provides work for 44,000 people, making it the fourth largest employer in Switzerland. It also numbers among the largest Swiss investors at about 0.5 billion Swiss francs annually.

The Swiss co-op group has established a major retailing presence. Its 1700 plus retail outlets spread across the country make it an essential element of local shopping facilities. Co-op is Switzerland's second largest retailer,



accounting for 18.0 per cent of the food market and 8.5 per cent of non-food sales, i.e. 13.4 per cent of total retail sales.

Co-op has come to occupy a firm place in people's lives. Almost every other household in Switzerland is a shareholder in one of the regional co-operative societies. A weekly shareholders' magazine is issued in the three official languages, German (Co-op Zeitung), French (Coopération) and Italian (Cooperazione), and delivered directly to their homes.

## Adapting to New Challenges

Co-op is an economically healthy and successful business operation today because it was quick to realize that

---

\* Karl Weisskopf is the Press Officer of Co-op Switzerland.



Co-op Super Centre.

photo: Pino COVINO, Birsfelden

competitiveness represents the key to success in a market economy. This means that it lost no time in adapting its structure to changing requirements. The 572 local and regional co-operative societies of 1950 have been reduced to just 28 today. In 1960, Co-op had 3,300 retail outlets, whereas nowadays there are just under 1,200 shops with the co-op sign outside. At the same time, the total floor space has been increased from 390,000m<sup>2</sup> in 1970 to 725,000m<sup>2</sup> today (or over 800,000m<sup>2</sup> for the group as a whole).

Even though the Co-op group has been able not only to maintain its position but actually to consolidate it, we have no doubt that major efforts will be needed if we are to continue improving our performance in future.

These efforts are being made on various fronts:

- \* Eurogroup co-operation
- \* range of goods
- \* better shop fronts
- \* slimming down of organizational structures
- \* consolidation of Co-op's affiliates

### **Eurogroup Co-operation**

In 1990 Co-op joined the Eurogroup S.A. Retailers' Group together with REWE of Germany, Paridoc of France, Vedex of the Netherlands and GIB of Belgium. Co-operation between these equal partners has been marked by a gratifying openness and goodwill. Coordination of buying activities in

both the food and non-food sectors as well as bilateral business has been of benefit to all parties.

## Range of Goods

The object here is to offer better value for money. A closed market in agricultural produce has led to high prices, with the result that the Swiss are doing more and more of their shopping abroad. This export of purchasing power has to be stopped, which means that in the next few years prices in Switzerland will have to be brought down closer to the level of the EC countries with which it has common borders. This calls for major adjustments in the farming sector (direct payments, for example), and associated operations, as well as higher efficiency in the food-processing industry and the retail trade: and Co-op is no exception.

Adjustments in the range of goods will be inevitable. There are so many of the same goods available in different packages these days that the impact on purchasing patterns is often only marginal. It would, therefore, make sense to concentrate on leading brands and strong up-market goods.

Consumers are setting greater store by quality and safety standards. They expect to be presented with clear information - about additives, for example - as well as healthy, natural products which satisfy ecological and, to a growing extent, ethical criteria.



*Co-op Switzerland's headquarters in Basle.*

Co-op has recently been playing a pioneering role in this field with:

- \* Co-op Oekoplan products satisfying demanding ecological standards in terms of packaging and environmentally-friendly non-food products, e.g. for gardeners,
- \* Co-op Naturaplan products representing organic farming methods and traditional, non-intensive forms of animal husbandry (organic vegetables, often home grown, beef from cattle weaned by natural or foster mothers, full-cream bio-yoghurt),
- \* the Co-op Naturaline Collection of underwear and shirts made from cotton grown and processed in



accordance with strict ecological standards,

- \* Co-op Havelaar Kaffee "Cooperation", a scheme which guarantees producers fair prices for their crops and already accounts for a major portion of sales.

## Better Shop Fronts

Shop fronts have to be changed to appeal to customers just as much as the range of goods. This is why Co-op Switzerland is looking more towards bigger shops (larger Co-op-Centres and Co-op-Super-Centres.

The scope for huge outlets and shopping centres on the outskirts has been reduced to almost nothing because of restrictions on development. But we are also concerned with specialist outlets such as do-it-yourself and garden centres as well as Co-op BauCenters. It was Co-op that pioneered these last mentioned outlets in Switzerland. All types have been recording above-average increases in turnover for some years now.

When it became majority shareholder in the Zürich Co-operative Society, Co-op also took over the Billi discount chain. We are planning a major expansion of these outlets, since we expect to see discounters taking a growing share of the market in the next few years.

## Slimming Down of Organizational Structures

Efforts are also needed behind the scenes. New financing arrangements were introduced for the Co-op

Switzerland headquarters in early 1992 to strengthen its position. The fact that accounts for work on behalf of the group as a whole are now settled separately has enabled Co-op Switzerland to offer the regional co-operative societies more competitive wholesale prices.

Efficiency will also have to be improved in the logistics field. Distribution costs amount to approx. half a billion Swiss francs annually. We intend to achieve savings into the tens of millions with new cost-cutting strategies.

The merger plans for regional co-operatives are yet another way of improving our competitiveness. Their number is to be reduced from the current level of 28 to 18 by 1995. Competition in the retail trade is such, however, that there is likely to be a need for a further reduction in the medium term.

## Consolidation of Affiliates

Co-op concentrates the bulk of its efforts on its role as a large distributor, and this will not change in the future either. At the same time, the group owns about 30 manufacturing, trading and service operations, as already mentioned. And there is a need for forward-looking strategies here, too.

In several cases we have already entered into arrangements with leading companies in the field:

- \* OK-Co-op AG, our fuel and petrol subsidiary, is working together with the Conoco oil company.



*Bio yoghurt, in the Co-op Naturaplan range, is a great hit with Co-op's health-conscious members.*

- \* Popularis travel agents have entered into a partnership with Kuoni, the market leader.
- \* Radio TV Steiner AG, co-op's consumer electronics chain, has concluded an agreement with the Interdiscount group, Europe's largest.
- \* Our printing operation is now involved in a joint venture with the leading printers in the northwest of Switzerland.
- \* Our flour-milling operation in Zürich now has a junior partner.
- \* And in 1994, Rivaliment S.A., our animal feed manufacturer, will be

joining forces with two other companies in the branch.

We think that other companies belonging to the Co-op group will continue to perform well of their own accord, which has led us to opt for major investments for the modernization of plants and an increase in capacity.

The Swiss Co-op group now occupies a key position in the country's retail trade, one which it intends to maintain and consolidate in the future. Many steps have already been taken or initiated with this in mind. But numerous challenges remain on the road ahead - and Co-op Switzerland will courageously face up to them.

# Co-op Geneva - 125 years of Consumer Co-op History

by Marie-José Fournier\*

The society's image has widened enormously in 125 years since the opening of its first stand in the spring of 1868, providing basic necessities to the network of today's Co-op Geneva, which still distributes foodstuffs, but which is also involved in activities as diverse as textiles, books, audio-visuals, fuels, travel and catering.

In 1993, Co-op provides the population with a sizeable network for the distribution of consumer goods, comprehensively covering the canton of Geneva and the district of Nyon, and guaranteeing a constant supply and wide variety of goods and services which are not only inexpensive but also of high quality. In this sense, the objectives of the founders of the Swiss Consumer Co-operative Society, as it was originally called, have been achieved in full and are still respected today.

This should be stressed very strongly at a time when the co-operative ideals seem to be overshadowed by the laws of competition, a phenomenon which has been evident within the market since the ending of price regulation in 1967-68. But the consumer himself,



isn't he in reality the supreme decision-maker, who must bear the responsibility for this fierce competition?

## History of Co-operation - an Idea which Remains Relevant

The co-operative concept has much in common with the confederal idea, the structure according to which our country is organized, the model on which the USA is founded, and in which an evolving Europe continues to find inspiration.

This legal base - the co-operative society - still retains, as it did in the past, its qualities of solidarity and of efficiency.

## The European Pioneers

The idea which was the motivation for the creation of the first co-operatives is

\* Ms Fournier is Editor of the Press Office of Co-op Geneva.



*The Swiss Consumer Co-operatives (SCSC) offered the best quality/price products from their earliest days.*

very simple and can be summed up in a few words: a better quality of life through the lowering of prices, improvement of quality, and ensuring accurate weights and measures.

The consumer co-operative was born in England. Little by little, its principles, arising from within the working class, gained support from the middle and upper classes of this nation. During times of huge economic and social changes, and high cost of living, the first attempts recruited mainly workmen and artisans. Such was the case when the humble weavers of Rochdale, in England, created the first consumer co-operative model for other countries in 1844.

## **In Switzerland**

Our forefathers, the people of Waldstätten, already practised self-help. Inspiring themselves with the spirit of co-operation evident in the treaty of 1291, the cities felt it necessary to defend their property.

## **In Geneva**

Co-operative groups appeared in Geneva at the beginning of the nineteenth century (fruit-producers, dairies, cheese-makers), uniting the peasants. This spirit of common action won the support of the town (for example, a co-operative-type bakery had already opened by 1937).

The co-operative idea gained ground. About 1860, inspired by James Fazy,



*Initially reserved for co-operative members, co-op stores opened their doors to all potential clients in 1885.*

Geneva opened itself to the modern world and pulled down its town walls. In 1864, the Geneva Convention began the cycle of international meetings. Our city also took part in the industrial revolution.

### **1808 - Creation of the Swiss Consumer Co-operative Society**

A serious industrial crisis held sway Switzerland and in Europe as a whole, causing great hardship. The local food market was fraught with inaccuracies of quality, weights and measures, and prices.

The Swiss Consumer Co-operative Society was brought into existence on the 25th of January 1868, uniting men of integrity from all backgrounds.

Its constitution states:

'The Swiss consumer co-operative society has no profit motive. Through the Co-operative Association, it sets itself the aim of bringing about a humane society, which will give to each the possibility of mutual aid and will realize all the good deeds of economic solidarity'.

First constituted as a S.A., it had a capital of 10,000 francs made up of 10 franc shares.

The first shop was opened to members on the 21st March 1868, selling bread, flour, pasta, potatoes, rice and pulses, sugar, coffee, oil and soap (meat and wine came later).

In November 1868, Edmond Pictet, a man of liberal Anglo-saxon ideals, became president. He remained in the post until his death in 1901.

### **1868-1918: Pioneering Years**

The co-operative idea developed and spread vigorously. Research into co-operative ideals permitted the society to consolidate its position during the first twenty-five years. Its political neutrality was established and legal and commercial structures were put into place.

In 1878, the premises at l'Île having become dilapidated, the shop was transferred to the Fusterie (in the position of what was to become Epis d'Or).

In 1885, the society comprised four shops, which were also open to non-members. In addition to food and wine, the society distributed bread and coal (and was temporarily selling wood and meat). Clients received a rebate (about 10% of their purchases) which was paid to them at the end of the year.

In 1890 Edmond Pictet instigated a meeting at Olten for the representatives of the consumer co-operative societies in order to found a nationwide central purchasing shop.

In the same year, Pictet and others created a manufacturing organisation, and established the Swiss Union of Consumer Co-operatives at Basel.

In 1918, the Geneva co-operative was composed as follows: 28 retail shops (with 750 lines), 2 warehouses (at

Varembé and Tronchin, for bread and dairy produce), 3 fuel depots, and an administrative building (in the rue Bautre).

### **1918 - 1968: Achievements**

It was in 1920 that the society extended its activities to cover non-food goods by opening a specialist shop in the rue du Commerce. This was to bear the name "Aux Epis d'Or" from 1928.

Despite the economic crisis (no rebate paid in 1921), our society continued to support consumers. It introduced the system of dividend stamp books in 1927. This permitted all clients to obtain an immediate discount of 5%, followed by an additional 7% paid to members as an additional annual rebate.

During the 1930s, our society made payments to help unemployed co-operators experiencing financial hardship.

Our home delivery service was very much appreciated by rural inhabitants. Later it was discontinued as shops were opened in the outlying areas.

In 1937 the Assembly of Delegates finally became a reality. This assured a stronger link between directors and society members through the geographical representation of members, in liaison with the regional shops.

In 1933, the Co-op decided to manage a chain of dairies jointly with the Laiteries Réunies under the name of l'Union Laitière (the Dairy Union). It took over the whole operation in 1964, thus bringing the number of its points of sale up to 141.



*Sports department of the Fusterie Co-op Centre.*

In 1943, when the Wahlen plan put 500,000 hectares of land into cultivation, the society celebrated its 75th anniversary. All the co-operatives set about supplying the population, offering staple foods at reduced prices.

The 'modern' period, from 1945 to 1968, saw important achievements in consumer service.

More shops opened on the outskirts of the expanding town, our society opened 'La Rochelle' restaurant in the rue du Commerce and took over the Pêcheries under the same name. The self-service shop appeared in the rue de Lausanne in 1950, butchers' counters within the large supermarkets in 1957. The same year witnessed the opening of the first Co-operative petrol station.

	<b>Turnover (million CHF)</b>	<b>Shops</b>	<b>Staff</b>
1945	23	50	420
1968	200	100	2,300
1992	600	41	2,200

Besides the wine cellars, our depots comprise butchers' workshops and bakeries.

1967 saw the ending of price imposition, rebates having been withdrawn in 1963. From then on, the vogue for 'discount' shops had a limited future, and in 1970 the Co-op introduced its new net pricing policy.

### 1968 - 1992: Expansion

This quarter century saw a change in business philosophy. The end of regulation pricing and of the rebate system gave way to the laws of the market and of competition.

'In order to be competitive, the retailer must sell the best quality goods at the best price'. This was the publicity slogan adopted by Co-op Geneva.

Led, from this point onwards, by purely economic considerations, the structure of the co-operative system retained, nevertheless, a basic ideological characteristic: its aim was to promote the economic and social interests of its members and to champion consumers in general, it also worked to provide general access to cultural activities.

Thus, the objective of the society was to serve the consumer in the larger sense of the word, not merely the smaller group of society members invested with decision-making powers within the context of their assembly.

From 1968 onwards, Co-op Geneva began to introduce electronics and computerization into its equipment.

At the time of its centenary, our society had opened enlarged premises at the Epis d'or in the typical form of a department store with 'everything under the same roof'. This formula of the future was the model for other developments such as Florissant, Onex (the biggest co-op super-centre in Switzerland at the time of its opening in 1979), Eaux-Vives 2000 and Montbrillant, to name just a few.

This period of huge expansion saw the society's activities multiply and diversify. For example:

- the creation of the Centre Culturel (now the Centre de loisirs Coop) in 1971;
- the expansion of the network of public restaurants and company canteens managed by Co-op Geneva, a sector which, with 29 units, has never ceased to be profitable;
- the taking over of Co-op Travel agencies (currently 4 offices) providing diverse services, including cultural holidays, mass tourism and business trips;
- the opening of the Gourmets (first commercial food hall selling premium quality food in Switzerland, inaugurated in 1977);
- the development of departments and of a home catering service;
- the creation of two do-it-yourself stores;





*Forum 2000 has a vast display of compact discs.*

- the organisation of two Forums, specialist departments selling books and audio-visual equipment (1981 and 1991);
- the extension of the chain of petrol stations, which had become 24-hour self-service stations (from 1988);
- at the same time as with the opening of new hypermarkets, the closing down of eight marginally profitable shops (1991), an evolution experienced by the whole of the Co-op group throughout Switzerland;
- the development, in 1980, of a new centre at La Praille for the distribution of general and non-food merchandise;
- enlargement of the warehouses at Varembe was followed, in 1985-86, by the commissioning of our new headquarters at Meyrin-Satigny, the sites at Varembe having been acquired by the Geneva authorities for the erection of council housing;
- the opening of the Rhône-Fusterie commercial centre in 1990 (Co-op City having been closed in 1987), a



*Rhône Fusterie Super Centre Co-op features modern eye-catching architecture.*

building comprising, in addition to a series of shop units (ready-to-wear clothing, jewellery, opticians, shoes, homecraft, hairdressing, perfumery), the Co-op specialist services, which are Gourmet, Forum, bakery, wine cellars and La Marmite self-service restaurant, not forgetting the traditional food, household goods and textiles.

### **Co-op Geneva: Statistics**

In 1993, Co-op Geneva consists of:

- A headquarters at Meyrin-Satigny (250 m x 60 m at ground floor, 37m high) in which are situated the operational and administrative services. 250,000 pallets of merchandise pass through it each year. The delivery vehicles travel an average of a million kilometres per annum.

- Over 40 shops, of which six are commercial centres and eight super-centres,
- 2 Gourmets,
- 2 Forums,
- 12 OK-Co-op petrol stations,
- 4 travel agencies,
- a leisure centre,
- a fuel service,
- 29 restaurants,

Total sales area of 47,133m<sup>2</sup>.

- 2200 workers,
- 75,500 members,
- 100 delegates.

Turnover in 1992: in excess of 6,000 million (the 4th highest in the Co-op group).

# A Small Co-op Association Pursuing a Big Idea

by Ernest Laub \*

## Part of the Labour Movement

1932, the year of the foundation of the VSP/ASCOP (Verband Schweizerischer Produktivgenossenschaften / Association Suisse des Coopératives de Production), the Swiss Production Co-operatives' Association, was a year of political and economic crisis: strikes and demonstrations against salary reductions and mass dismissals were daily events.

The co-operatives that are affiliated to the VSP/ASCOP have therefore traditional links with the Swiss labour movement. Many of them have been supported by the trade unions as a contribution to overcome unemployment, to promote democratic structures in enterprises and to improve social conditions. As a matter of fact, some of the co-operatives have been created by and for workers who have been dismissed from private companies because of their involvement in strike actions and other labour disputes or because they were active trade unionists.



In respect to social progress, the production co-operatives reduced working hours and introduced pension funds for their workers long before this was made compulsory by Swiss law for all companies.

The first workers' production co-operatives were already created in the second half of last century. The oldest workers' production co-operative that still exists and which is a member of VSP/ASCOP was founded in 1907. The youngest member co-operative goes back to 1951.

## Structure and Activities

As the construction workers' union (now called GBI/SIB Gewerkschaft Bau und Industrie / Syndicat Industrie et

---

\* Mr. Laub is a member of the VSP/ASCOP Executive Committee and the Secretary of its French speaking regional organisation ASCOP.

Bâtiment) has been the most committed one in this field, the great majority of co-operatives are to be found in the construction sector and annexed industries.

Four member co-operatives are construction companies (with 459 workers), six are in the wood industry (with 177 workers), five are in the metal industry (with 382 workers), five are painters' and/or plasterers' enterprises (with 167 workers) and two co-operatives are active in other sectors (with 101 workers).

The total turnover in 1991 was 161,906,000 Swiss Francs. The 22 co-operative enterprises that are VSP/ASCOP members employed a total of 1,286 workers. Unfortunately the membership has decreased over the years. In 1980, 31 co-operatives with 1346 workers were affiliated to the association. In 1991, 21.7 % of the work executed by the VSP/ASCOP member organisations was done for the account of other co-operatives (mainly housing co-operatives), 57,0 % for private companies or persons and 21,3 % for public authorities (communal, cantonal or federal authorities).

With regard to the individual ownership of each VSP/ASCOP member co-operatives we do not have a homogeneous situation: some of the co-operative enterprises are exclusively owned by the workers directly and others by their trade union. But there are co-ops with mixed ownership that includes, in addition to the parties mentioned, other co-operatives such as housing co-operatives, private

persons who are committed to the co-operative idea but are not working in a co-operative enterprise and, last but not least, the VSP/ASCOP or its regional organisations.

Regional organisations exist for Zurich, Bern and Basel as well as one regional organisation for the whole French-speaking region of Switzerland, with co-operatives in Geneva, Lausanne, Yverdon and La Chaux-de-Fonds.

### **Present Situation**

1993 is again a year of economic and social hardship. Our member co-operatives are once more in a difficult position since orders and contracts are becoming scarce. At the same time unemployed people are seeking assistance for building up new co-operatives. A strong, helpful VSP/ASCOP is, therefore, urgently needed.

But this association as it has existed for 60 years has no full time staff. All the work it does is done by executive committee members in their spare time. Despite this deficiency there are many achievements. The association is not only involved in training activities and the exchange of information, it also operates a Solidarity Fund that gives credit to member co-operatives at favourable conditions.

But a structured interco-operative collaboration has still to be organised in our country and a joint co-operative public relation activity to be built up. Although, on the whole, the different individual co-operative companies (inside and outside the VSP/ASCOP)



*Headquarters of Building Co-operative (COBY), in Yverdon, consists of five departments: masonry, carpentry, roofing, paints and civil engineering.*

do an excellent job, the co-operative idea itself has very much suffered from big scandals in the co-operatives of neighbouring countries. We also do not have an efficient co-operative lobby: Swiss legislation (company laws and tax laws) should provide for more advantages for co-operatives (as compared with enterprises that are only in business for short term profit).

### **Outlook for the Future**

The VSP/ASCOP will probably open its ranks to other co-operatives that are not yet affiliated. It will also have to admit co-operatives from outside its traditional sectors in the construction, metal and wood industries. There is also one question that has not yet been answered: Will the VSP/ASCOP also take members that are not co-op, but have similar social obligations?

One other question for the future is whether a small co-op association such as the VSP/ASCOP will be able to commit itself on the international level in the framework of the ICA. This is a question that should also be studied within the ICA, since there are other co-ops and co-op organisations in Switzerland and in other industrialised countries that have not yet joined the international movement.

The important decisions on the future of the VSP/ASCOP and the implementation of adequate structures for the association and its secretariat will be taken at the general assemblies in 1993 and especially in 1994.

If we make the right decisions, the VSP/ASCOP will again be an attractive and dynamic association with increasing membership.

# Raiffeisen Banks in Switzerland

by Felix Walker \*

With 1158 independent banks in Switzerland, the Raiffeisen banking co-operative is numerically the largest autonomous Swiss banking institute. Nearly 500'000 Swiss men and women are co-op members and more than one million people from all walks of life are Raiffeisen customers.

In addition to a unique business philosophy, the Raiffeisen organization is different from other Swiss banks because of its co-operative structure. Co-op member banks have a right of participation and are jointly responsible for the functioning and development of the co-operative as a whole.

The Raiffeisen philosophy of solidarity, i.e. to jointly strengthen the financial and social well-being of the general population and to serve community interests, has enjoyed increasing popularity. Within the last four decades, co-op membership increased from 95,000 in 1950 to nearly 500,000 co-op members today.

## Management Policies

The following management policies are unique to the Raiffeisen co-operative of banks:



- Business activities are limited to clearly defined, geographically confined business areas.
- Customer deposits are used in the economic area of origin.
- Credit approvals are granted only for co-op members and only against sufficient security.
- No speculative ventures are funded with entrusted monies.
- No pronounced pursuit of profit in order to ensure financial advantages for co-op members.
- Simple, cost-effective administration.
- The Board of Directors and Board of Auditors of each bank serve on an honorary basis.

---

\* Dr. Walker is the Chief Executive Officer of the Union of Swiss Raiffeisen Banks.



*There are 1,158 branch offices of the Raiffeisen banks in a very condensed banking network.*

## **Business Area**

Each Swiss Raiffeisen bank generally serves one or a limited number of small communities. In this way, the banks provide a valuable contribution to the preservation and strengthening of community vitality and economic independence in Switzerland. The co-operative also provides an appropriate rural network of banking services: Raiffeisen banks are primarily found in rural areas and suburbs.

Local banks idealistically work toward strengthening community economic independence, and increasing community cohesiveness and self-confidence. Their location, the relationship of trust customers have with bank employees, and members'

voting power at the annual meeting lends the Raiffeisen banking co-operative a very personal note, i.e. customers identify themselves with their bank.

Because each board member and chief administrator is familiar with the local social and economic situation, they are on the spot when banking assistance is required. Market closeness is also an advantage when credit risk is evaluated.

## **Business Activities**

Raiffeisen bank services fulfill the needs of middle class customers. Emphasis is placed on the savings and mortgage business. In order to serve customers on a daily basis as a competent, local

*One million customers appreciate the fair and competent advice provided by Swiss Raiffeisen - they trust the serious business policy based on security.*



institution for all banking services, general banking services and the commercial credit business are growing as customer demand increases.

In the mortgage business, Raiffeisen banks concentrate on customized financing plans for private, communal, small trade/business and agriculture buildings. To diversify the business base, other banking services (e.g. investment advice, securities, foreign exchange, payment systems) are being developed.

### **Co-operative Structure**

The 1158 legally independent Raiffeisen banks are members of the Union of Swiss Raiffeisen Banks (USRB). Headquartered in St. Gallen, the apex organization serves member banks and coordinates the co-operative's activities. For example, the USRB represents the banks to the general public, advises banks on administrative/organizational matters, trains local bank managers and board members, provides legal

aid, assists with personnel recruitment, manages national marketing activities, and offers various other support services.

In addition, the USRB manages the Raiffeisen Central Bank in St. Gallen. This bank is responsible for co-operative's solvency as well as providing important central services in the credit, portfolio management, securities, foreign currency, and payment systems business.

There are also 22 regional associations which support initiatives from the local Raiffeisen banks and act as a link to the USRB.

### **Philosophy of Solidarity**

Each Raiffeisen bank, the regional associations and the Union of Swiss Raiffeisen Banks strives to fulfill the co-operative's guiding philosophy of "working together to strengthen, support and - despite regional differences, different bank sizes and activities - compete in the financial services market as a unified banking institute."



## Significant Raiffeisen Figures

1,000,000 Customers	Nearly every sixth resident of Switzerland is a customer of a Raiffeisen bank.
500,000 Co-op members	Each of the nearly 500,000 co-operative members is also a co-owner of a Raiffeisen bank.
1,158 Raiffeisen banks	Every fourth bank in Switzerland is a Raiffeisen bank.
CHF 48,300 million balance sheet total	With a 48,300 million Swiss Franc balance sheet total, the Raiffeisen co-operative of banks ranks fifth among all Swiss banks.
CHF 34,500 million customer deposits	The above-average 7.6% growth of customer deposits is genuine proof of trust.
CHF 25,700 million mortgage investments	Every seventh mortgage in Switzerland is from a Raiffeisen bank.

---

# Housing Co-operatives in Switzerland

by Fritz Nigg \*



*Photo: Marcel Studer*

The first housing co-operatives were set up around 1900. Their number has grown steadily ever since to reach a total of about 1,000. The 150,000 or so co-operative dwellings account for about seven per cent of all rented housing. Most of them are in towns and cities, with co-operatives owning 19 per cent of all housing in Zürich. In the eighties, the housing co-operatives built six to seven per cent of all new houses throughout the country, or 2,400 to 3,500 dwellings annually.

There are no special legal provisions for housing co-operatives except that they have to be run on a non-profit basis. This imposes strict statutory limitations on the distribution of profits among shareholders and co-operative bodies, both in normal operations and in the event of liquidation. There are something like 800 housing co-operatives working on a non-profit basis along these lines. Of these, over 80,000 with a total of over 100,000 dwellings belong to the Swiss Housing Federation (SVW/ASH). There are no tax incentives to speak of for a co-operative voluntarily undertaking to work on a non-profit basis, but this does simplify

---

\* Mr. Nigg is Chief Executive Officer of the SVW Swiss Housing Federation, umbrella organisation of non-profit housing associations. He is also Editor of "Das Wohnen" magazine.

matters on an administrative level and offer access to certain grants.

Co-operative tenancy agreements are subject to the same tenancy law as any others. They include the additional provision that the amount of rent should be determined by what is sufficient to cover costs (rather than the market price) and provide a large degree of protection against eviction by the co-operative. Otherwise, the law leaves housing co-operatives plenty of room for manoeuvre, both in business and financial terms. Co-operatives have been only too pleased to make use of this, which has led to a large variety of forms. This is quite clear from the different numbers of dwellings administered by individual co-operatives. The SVW membership statistics show that most co-operatives own less than 100 housing units. This has been due, to no small extent, to a constant flow of new ones encouraged by a system of advice centres and special financial assistance. The 50 largest co-operatives, on the other hand, own nearly half of all dwellings in the co-operative sector. They have professional management staff, and frequently run a services operation of their own. The highest bodies of all the housing co-operatives are the management boards, which are part-time and are elected by the shareholders. In smaller co-operatives they are also responsible for day-to-day business.

Most of the non-profit housing co-operatives are concerned exclusively with rented accommodation which they let to their shareholders. The latter, in turn, control the general meeting with their

voting power and, in that way, the co-operative as such. There are far less co-operatives engaged in the construction and sale of housing than in the administration and erection of dwellings for rent. However, the purchase of existing property, often combined with refurbishment and a change in its use, is of growing significance. Newer housing co-operatives in particular are becoming involved in experimental development projects and new schemes to involve tenants directly in managing the co-operative's affairs.

Housing co-operatives are almost the only form of builders to take advantage of support from the public purse wherever possible and to accept the concomitant restrictions regarding the numbers and incomes of tenants. But the capital for these dwellings, too, usually has to be found within the free market. The result is that interest payments represent half the outgoings of the co-operatives, and thus half of the rent. The Residential Development and Property Ownership Promotion Act provides for federal Government guarantees to relieve the initial burden of interest payments.

Housing co-operatives have been stepping up their co-operation for some time. They have formed a joint solidarity co-operative guarantee fund, regional housing development organizations and an underwriting syndicate responsible for raising loan capital on the market.

Sources: *Das Wohnen*, Fachzeitschrift für Wohnungswesen, published by SVW, Zürich.

# M - The Shortest of Stories

by Bruno Ruf \*

Whether the model of decentralised co-operative societies is a workable form of an up-to-date trading organisation in a world of more and more closely and rapidly knit inter-relations, is a question that has caught my interest ever since I started working with Migros.

When Gottlieb Duttweiler converted regional Migros Inc. companies into regional Migros Co-operative Societies in 1941 he did so on the model of the Confederation of Switzerland: i.e. according to the motto "all power is local" by the delegation of "power" to the co-operative members. In Switzerland this is also true of the political field.

Migros has remained local, but a larger organisation is needed to buy worldwide, produce and manufacture, to coordinate a recognisable national approach to and entry into the Swiss market and, finally, to attain the loyalty of its customers. To this end, the regional co-operative societies formed the Federation of Migros Co-operatives (FMC) as their only offspring.

---

\* Mr. Ruf is the Public Relations and Information Officer for Migros.

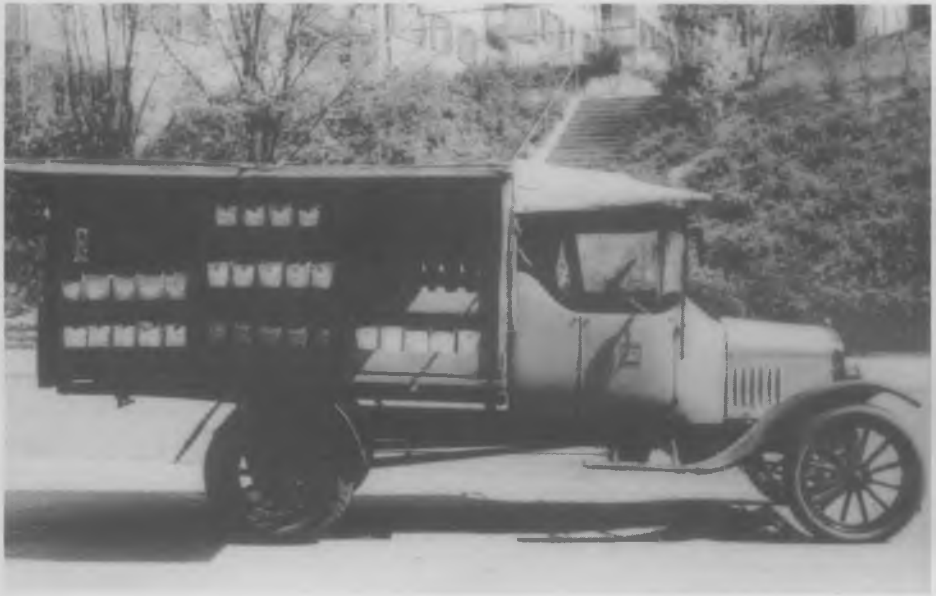


*Gottlieb Duttweiler was an important figure in the history of Migros as its founder in Zurich in 1925.*

Just as the Swiss political system is built on "servicing the people" so a Co-operative is on "servicing its customers".

Thus, the regional Migros co-operatives are devoting their efforts to retailing, while the Federation of Migros co-operatives is doing the coordination and the wholesale and producing business.

To answer my question above, I must indeed admit that the democratic rules



*Gottlieb Duttweiler started Migros with five Ford Model T sales vehicles.*

are strictly observed. The basic regional societies have the final say in all matters by virtue of their very close daily contact with their customers. This helps to avoid misunderstandings and major mistakes in the market. The customers regulate the regional Co-operative Societies which, in turn, regulate the Federation of Migros Co-operatives.

### **Migros Organisation**

Migros consists of twelve regionally organised, largely autonomous consumer co-operatives of people living in Switzerland. It is active in the retail trade, manufacturing and various services, as well as adult education.

Gottlieb Duttweiler (1888-1962) started Migros with five Ford Model T sales vehicles (mobile stores) and six prod-

ucts (coffee, sugar, rice, pasta, coconut-oil and soap) in Zurich in August, 1925. The basic idea was to make a direct "bridge" from growers to consumers which would enable selling prices to be drastically reduced.

The first store was opened in Zurich in 1926, and sales, ranges of goods, and number of sales outlets quickly grew, as did opposition to the young enterprise, when more and more suppliers joined a boycott by the manufacturers of traditional branded goods. Migros, however, met this challenge by buying up factories and later constructing its own manufacturing plants. About 30% of all goods sold by Migros are self-produced and bear the names of the Migros plants. In this way, branded goods, especially groceries, have been replaced by own brands.

Alongside its own brands, the Migros has successfully been trying to secure exclusive contracts with such international brands as Del Monte, Lyons Tea, Pepsi Cola, Cover Girl, etc.

## Diversification

The activities of Migros outside its customary retail sphere, and its entry into Swiss politics (with the "Alliance of Independents"), were a direct consequence of the ban on opening new branches instituted by the Federal Council in 1933 (revoked in 1945) to protect traditional small businesses. Migros consequently turned towards areas in which competition was non-existent or inefficient, or in which crises were emerging. Some examples of this are:

- "Hotelplan", started in 1935 to help the indigenous hotel industry, with the first "all-inclusive" arrangements, and now among the leading European travel agencies.
- In 1954 Migros entered the motor fuel and heating oil business and established the "Migrol Cooperative" in order to persuade the international oil companies to reduce their prices to consumers.
- The "Migros Bank", founded in 1957, with its advanced modest mortgage interest policy, contributes to the stabilisation of rented accommodation.
- In 1959, to combat high motor vehicle insurance premiums, Migros founded "Secura", which later entered the field of life insurance, too.

- "Ex Libris", the largest outlet for books, audio-cassettes and CDs in Switzerland, has been also part of the Migros Community since 1955.
- Gottlieb Duttweiler founded the "Zurich Shipping Company AG" in 1951. In 1984 a majority holding in the "Swiss Shipping & Neptune AG" (SRN) was acquired, and a joint business between the two shipping companies was set up in 1986. Thus, to a certain extent, Rhine shipping will hopefully remain in Swiss hands.

## The Migros Idea

The idea of converting the various regional Migros Inc. into co-operatives preoccupied the founder at an early stage. Migros Ticino had already been set up as a co-operative in 1933, and the rest of the Migros retailing stock companies were converted into co-operatives in 1940/1941 and handed over to the registered customers. Membership is free, and today Migros belongs to well over 1.5 million households functioning as co-operative members. Co-operative members participate in the annual Membership Ballot, where they can vote and elect the co-operative bodies every four years. Also in 1941, the Federation of Migros Co-operatives was set up, destined to take over all work delegated to it by the retailing regional Migros co-operatives.

Among the Migros working principles are: large scale direct purchasing from the grower and manufacturer; exclusion of middleman's profit; a small markup which only covers efficient

distribution costs plus a modest profit (sales prices calculated "from the bottom upwards"); rejection of selling price fixing by suppliers (retail price maintenance); advertisement through quality and low prices, multi-packs and special offers; loose sales (small quantities for small "families") of fresh products and delicatessen goods. Health-promoting foodstuffs are encouraged, and the sale of alcoholic drinks and tobacco is precluded in accordance with the statutes.

Migros possesses a wide network of stores with the three sales types: M (small), MM (medium), MMM (large) - a total of 560 stores. In the medium and large markets (hypermarkets) the popular M-Restaurants are installed, with hot and cold cuisines. About ninety mobile stores are operating in Switzerland and offer their 1,000 items at places where no Migros store exists and where the public is inadequately supplied.

The problem of environmental protection receives the greatest attention and a special policy is devoted to it. Efforts are made to reduce packaging material to a minimum in order to respect this problem.

Migros is aware that the success of an enterprise increasingly depends on the training and continued training of its staff. Its conditions of employment are up-to-date and take account of the increased need of leisure time for its 70,000 employees.

According to its statutes, Migros annually devotes about 1% of its sales, the so-called Cultural Levy, to cultural, social and politico-economic purposes. This amounts to more than CHF 100 million per year. Approximately 45% of this money is allotted to the Migros Club Schools, the largest and most famous institution for adult education in this country.

In March 1993, Migros crossed the borders and made a series of deals that would give it access to the Austrian retail market. It acquired 112 Familia supermarkets from the Zumtobel group and formed two joint ventures with Austrian Konsum. Migros knows very well that the Migros philosophy cannot be transferred into a country that has not been familiar with it. It bears this in mind in any intervention in Eastern Europe, where Migros is cautiously trying to promote self-help through its own know-how.

# A Trans-national Partnership

by Hermann Gerharter \*



Following the 1990 election and restructuring of its control and operational setup, the new management of Konsum Austria embarked upon a multi-step reorganization programme centred around the marketing concept 'Konsum 2000'. First started in 1988, Konsum 2000 involves the creation of a structure as a co-operative group, the abolition of consistently loss-making activities and the adaption of the structure of labour costs in order to remain competitive.

Even in its early stages, measures were taken to face the challenge of Europe through a strategic alliance with a strong partner. The most recent exam-

ple of the co-operation between Konsum Austria and Migros was the takeover of a chain of shops owned by Franz Martin Zumtobel, an entrepreneur from Vorarlberg. In a preliminary discussion with Migros during December 1992, I personally presented Migros with a five point proposal, which was then accepted by Migros as a basis for the ongoing negotiations.

On 8th February 1993, at a joint press conference with the president of the board of Migros-Genossenschaftsbund, Mr. Eugen Hunziker, and myself, the result of the negotiations was made public. The arrangements were as follows:

- 1) As a first step, the 112 Familia outlets of the Zumtobel group were to

---

\* Mr. Gerharter is Chief Executive Officer of the Board of Konsum Austria.



be taken over by Migros-Genossenschaftsbund and the regional co-operative Migros St. Gallen. This happened on 1st March, 1993.

- 2) In the framework of a joint venture between Konsum Austria and Migros, a new Austrian hypermarket chain was to be established, comprised of the KGM hypermarkets and the retail network of the Familia group. 75% of this newly-formed retail group is owned by Konsum Austria, 25% by Migros.
- 3) All Vorarlberg outlets of Familia and Konsum were to be merged to form a single commercial entity, 75% owned by Migros St. Gallen and the remainder by Konsum Austria. It was agreed that Migros St. Gallen would also have an option to take over Konsum Austria's West Tirol outlets.
- 4) To optimize the buying power of the newly-created retail groups, Konsum Austria and Migros would establish a Marketing organization, owned in equal shares by the two partners.
- 5) International co-operation between Migros industry and the industrial arm of Konsum Austria is under active consideration.

In the meantime, the general assembly of Konsum Austria has approved the proposed programme unilaterally. Konsum Austria is, and remains, an independent co-operative with 730,000 members. Following the takeover of the larger part of the Familia chain, Konsum's market share within Austria will be a fifth of Austrian retail

sales. This is comparable with that of its competitors, Billa and Spar.

A well-planned strategic alliance between Konsum Austria and Migros, which has the reputation of being the most successful retailer in Europe with the best logistic system in the world, will not destroy jobs but, on the contrary, will help to make them secure and more highly skilled, and will even lead to the creation of new ones.

Groups like Billa of Meidl moved their headquarters abroad a long time ago. Chains such as Löwa, Zielpunkt and Magnet are owned by the German Tengelmann group. The Hofer discount chain is part of Aldi Germany, and Metro, which owns the Huma hypermarkets, is a German-based company with its headquarters in Switzerland. Quelle, ABM, Kleiderbauer, DM, Eduscho and many others have foreign owners. Buying groups like ZEV Markant, with a higher retail turnover than Konsum Austria and most other Austrian competitors, especially the highly-organized Spar group, long ago created international functions and makes joint purchases on all the international markets.

That concentration tendencies began in food production and reached gigantic dimensions is a fact of growing importance. It is common for such internationally guided producers to own market shares of 70 to 90% per production segment, especially in Austria.

Two questions Konsum Austria is frequently asked by interested consum-

ers are: firstly, what happens to the co-operative, and secondly, what will happen to the dividend based on the consumers' annual purchases<sup>1</sup> within the Konsum stores.

The answer to the first question is that Konsum Austria will remain unchanged as a co-operative. Through this strategic alliance the co-operative structure can be secured for a long time. Migros does not exert direct or indirect influence on Konsum Austria. An ideal basis for the alliance is the fact that both organizations are organized as co-operatives. Regarding the second question: dividends on consumer purchases will remain where they are currently paid. The only exception is Migros St. Gallen in Vorarlberg, where Konsum Austria retains a substantial share of Migros in Austria.

Co-operative members will continue to get their dividend on annual purchases in the KGM hypermarkets. No dividend will be paid within the newly acquired Familia markets. In the course of the next year, additional co-operative services will be added.

That part of the agreement which concerns buying through the marketing organization jointly owned (50% each) by Konsum and Migros is a source of irritation to producers of branded goods and certain other individuals not in possession of the full facts. The

Association of producers of National Brands made the impossible and irresponsible claim that such co-operation endangers 40,000 jobs in Austria, because most branded articles will vanish from the shelves within a short period of time (Austrian food industries employ 55,000 people altogether!!)

The pretended flooding of Austria with Migros products is absurd for several reasons: firstly, the protection of Austria's agriculture and the influence of these regulations on the food industry prevent the free flow of merchandise over the borders. This will only change with EC membership. Secondly, the Austrian consumer is not prepared to change his pattern of consumption quickly and radically. Thirdly, every industry or retail manager knows that extreme caution must be exercised when introducing new lines. Fourthly, Konsum industry, which is an important part of the Austrian economy, will get a boost, since it is projected that Austrian exports will increase. 5th, Migros industry is already working at full capacity and 6th, well-known companies producing national brands will get the chance to manufacture retail brands to derive additional sales. Some of these companies will be the very ones which expressed fear of competition during the recent discussions.

On 10th February, 1993 Konsum Austria arranged an information meeting

<sup>1</sup> Not only are members of Konsum Austria supplied with fresh products daily, they can also get a refund of 1% of their total annual purchases as a special dividend paid on their purchases in all outlets of 'Der frische Konsum' and 'KGM'. This year, the total amount was 120 Million AS, an average of 600 AS for each member claiming this benefit. In addition to this dividend, members receive three special offers per year, entitling them to make purchases on particularly favourable terms.

with thirty top managers from the Austrian branded goods industry with the following results:

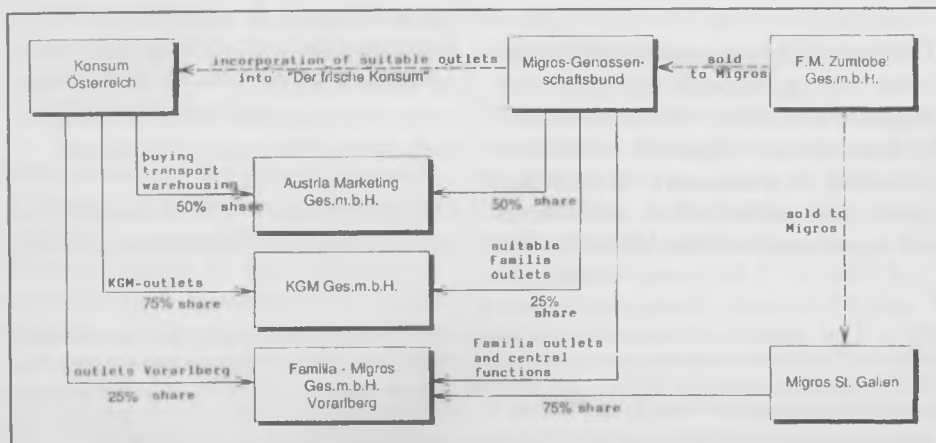
- 1) Konsum Austria is viewed as an important and reliable partner by agriculture and industry.
- 2) Co-operation between Migros and Konsum, together with Familia, is seen as a wise strategy with positive future expectations.
- 3) National brand producers see the new structure as a challenge. Konsum Austria made it clear that national brands will continue to have their place on the shelves of Konsum Austria. However, producers and Konsum must work together to improve price, quality and service for their consumers.
- 4) Konsum expressly invited industry to strengthen the retail brand concept.

- 5) None of the industry managers present supported the claim that 40,000 jobs would be lost. On the contrary, the company representatives declared that they would continue to co-operate with Konsum and take advantage of the new opportunities presented by the changing circumstances.

Austria is taking steps to join the European community. Many Austrians have realized that the only way in which they can combat the problems which a unified Europe will cause them is to join the Community, and thus stabilize the position of Austria as one of the most successful countries in the world on a long-term basis.

Responsible co-operation such as that of Konsum Austria with the strong Swiss Migros-Genossenschaftsbund is a step in the right direction.

KONSUM ÖSTERREICH - MIGROS GENOSSENSCHAFTSBUND: FRAMEWORK OF COOPERATION



# United Dairies of Geneva

## Market-oriented Franco-Swiss Co-op with a Wide Product Range

---

by Gérard Charles\*

### Origin and Legal Form

Founded in 1911, when two existing co-operatives, dating from 1889 and 1904 respectively, merged, United Dairies of Geneva (LRG) is the milk producers' Federation of Geneva and the surrounding area. Society members are the local dairy co-operatives, formed by dairy farmers from the villages within the region.

LRG is one of 13 regional dairy federations in Switzerland.

### Private Economy meets Public Interest

This co-operative structure covers the whole of the country and is a very valid instrument for the decentralisation of official directives, notably on the two following subjects:

- **Hygiene and public health**  
Monitoring hygiene within farms, analysis of animal fodder requirements, taking samples for various quality tests, particularly bacteriological.
- **Public economy**  
Monitoring the entire production

---

\* Mr. Charles is Director-General of the United Dairies, Federation of Milk Production for Geneva and the surrounding area.



and utilization of milk enables each of the small producers to control the quantity<sup>s</sup>/he produces.

### Spelling out the Differences

From its creation, United Dairies united four regions, each having its own regional characteristics and administration: in Switzerland, the canton of Geneva and the south-west part of the canton of Vaud; in France, the tax-free zones of the departments of l'Ain (Pays de Gex) and Haute-Savoie. Differences between the society members arose because of the fact that a national frontier passes through the area covered by the Federation and that the State intervened in agricultural affairs. This justified an internal structure specifically



*United Dairies headquarters for Geneva and the surrounding area.*

designed to minimize these differences as much as possible.

From its origin, commerce and distribution have shaped this organisation of milk producers to allow it to respond to the needs of a large urban area.

### **Largest-selling Food and Farming Enterprise**

An organisation very much in touch with consumer demands, having diversified very early, United Dairies is now able to offer its clientele four large groups of products:

- Milk and milk products
- Cheese and eggs
- Ice cream and frozen foods
- Meats and delicatessen products.

In this way, the society has become the largest single food and farming - business under one management in Suisse Romande (the French-speaking part of Switzerland).

In contrast to the milk federations of the other regions of Switzerland, which are oriented towards the bulk production of industrial type products, United Dairies make only ready-to-eat products using fresh produce.

The society is in evidence throughout the national market by virtue of four product lines:

- **DANONE, largest-selling brand of yoghourts** - Since 1930, United Dairies have held the exclusive licence for the import and production of the Gervais and Danone

brands (Group BSN) within Switzerland.

**DANONE** is the No 1 seller worldwide of yoghourts, 'fromage frais' and deserts made from milk. Also No 1 in Europe, Danone holds 30% of the market there and its sales are three times greater than those of its direct competitors. Danone is also No 1 in Suisse Romande, holding this place jointly with the brands of the two principle distribution chains.

- **VAL D'ARVE**, largest-selling brand of Swiss tomme and reblochon cheeses

Small cheeses, each weighing about 100 grammes, the tommes have a mild and aromatic taste and are typical of the Lac Lemman (Lake Geneva) region, between the Jura and Mont-Blanc. Val d'Arve holds 55% of the Swiss market for tommes and 68% for the reblochon. A dozen specialities are produced in the Swiss Fromagerie of Val d'Arve.

- **DEL MAITRE**, Largest Swiss producer of braised ham

Containing no polyphosphates and prepackaged under a controlled atmosphere, this premium ham fully justifies its name of 'Le Prestige'. Del Maître offers a large selection of tasty products, which are low in fat, low in salt and generally well-balanced in dietary terms.

- **Foremost Swiss wholesaler of speciality cheeses** - The cosmopolitan population of Geneva has led to the development of an important commerce in speciality cheeses from

throughout Europe. This society constitutes an important distribution platform for the Swiss market, reaching a group of retailers who handle 92% of the country's 'food' turnover. Such logistics rely on high performance data processing and guarantees that 'use by' dates are respected.

United Dairies is also one of the largest customers of the Swiss milk industry. In fact, it sells twice as much Swiss milk as it produces within its catchment area, including the tax-free zones. This is due to the finished products which it purchases elsewhere in the country and sells in its own marketplace.

### **Partnership between Consumer and Production Co-operatives**

It is now the occasion to recall that it was in Geneva that the association of a consumer co-operative and a production co-operative took place in 1933, under the sponsorship of Dr. G. Fauquet, Chief of the Co-operative Branch of the International Labour Organisation (ILO). The two organisations involved were the Swiss Consumer Co-operative Society (now COOP-Genève) and United Dairies, a co-operative society of milk producers from Geneva and the surrounding area.

This association no longer exists in its original form but, 60 years later, the collaboration continues in a manner more in keeping with the current economic climate.

This sharing of experience developed the long-term expertise and specialist

areas of the two co-operatives, whose interests were generally in opposition. Each learning about the other's trade has proved to be a very positive asset in terms of the partnership between producers and distributors.

Each acknowledges that pooling their funds, resources, and information can only improve performance with regard to the optimum satisfaction of consumer needs.

### **What does the Future hold for Co-ops within the Modern World?**

Co-operative self-help is still the appropriate means of giving life and development to a good number of enterprises, whilst leaving the ownership of investment property, whether industrial or commercial, in the hands of the members. This form of society has the advantage of placing more importance on the individual than on his or her capital participation: the authorized

share, which is not negotiable, has no nominal value - it is more a sign of solidarity.

The co-operative structure is perfectly compatible with the principles of modern management. It does not prevent management from being as efficient as the management of a capitalist-based company, it allows for economic development and is applicable to all sizes of business. But, in any type of society, the organisation of management is of the utmost importance and, in order to avoid the dilution of responsibility, it is important that the lines of delegation be clearly defined, as well as the limits of competence between the different actors.

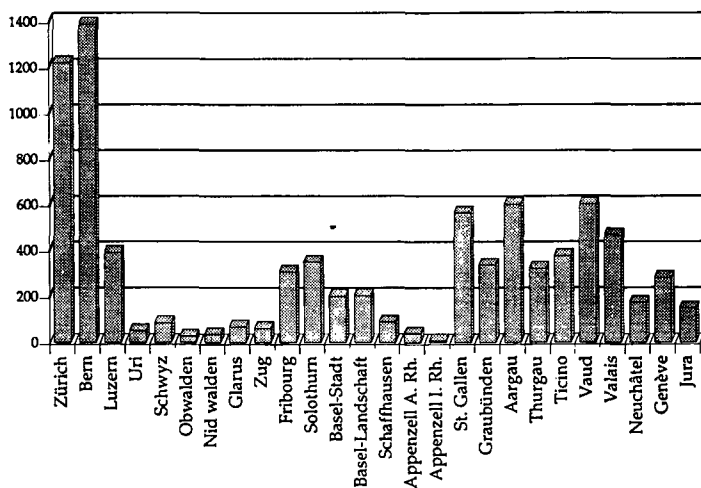
In conclusion, the co-operative society offers a great deal of flexibility and constitutes an appropriate formula for the economic association of individuals with a common aim.

### **General Information**

Turnover	268 Million
Cash flow	5% of turnover
Employees	613
Number of dairy societies	112
Average daily production	150,000 kg

# Co-operatives in Switzerland

by Laurent Jimaja (ICA)



The structure of the co-ops and the way they function are very similar to those of a "confederation", the German terms being relatively close: "Genossenschaft" for co-operative and "Eidgenossenschaft" for confederation. This would explain the success of the co-ops, which are better understood by the population because they are perceived as providing the same guarantees as the nation state, in that the way they function gives each member a chance to express himself.

Several thousand co-operatives have a share in Switzerland's economic and social life. According to the 1991 federal census, they totalled 8,404 and were distributed over all 26 cantons and half-cantons of the Swiss Confederation. Zürich and Bern ranked high in the classification with 1,222 and 1,389 co-ops respectively. These co-ops provided jobs for almost 160,000 people in 1991.

Co-ops are active in all sectors of the country's economy including consumer, agriculture, banking, insurance and housing. They are also to be found in areas as new as social re-integration of the unemployed (the Association "Partage") and in the storage of radioactive waste (CEDRA - National Co-operative Society for the Storage of Radioactive Waste). On the occasion of the ICA's General Assembly in Geneva, the co-operative network deserves to be presented and known not only outside Switzerland but also inside the country. Following the conclusions of the latest UNDP report on human development, which advocates wider popular involvement in countries' development, there is good reason to believe that, through the co-ops, many households and/or individuals contribute by their commitment to the durability of the development of this country, ranked fourth worldwide according to the criteria selected (Human Development Index - HDI).





*Wine is an important part of the Swiss gastronomic culture - subsequently, the Swiss countryside is rich with beautifully-kept farms and cultivated vineyards.*



# ICA and Human Rights

by the United Nations Department of Public Information\*

*At the request of the members in the region, the ICA Regional Office for Central America and the Caribbean (ROCAC) has been implementing a programme on Human Rights since 1992. The aim of the programme is to strengthen the capacity of the co-operative movement to promote and raise awareness on human rights, especially as regards economic and social rights, and the right to development.*

*A series of national and regional workshops have been and will continue to be held. These focus on the role of co-operatives as structures for the promotion and realization of human rights and introduce basic human rights as laid down by the Universal Declaration on Human Rights.*

*As part of the programme of activities, the Office has also focused attention on the situation of indigenous peoples in the region. Three seminars will be held in 1993 to commemorate the United Nations International Year of Indigenous Peoples: 'Identity, Culture and the Mayan Perspective', 'Women, Human Rights and Co-operatives' held in Qiché with translation into Spanish, and 'Co-operatives and Indigenous Peoples'.*

*In addition, the regional office will be representing the ICA at the UN Conference on Human Rights in Vienna (14-25 June*

*1993) where it will be lobbying for the recognition of co-operatives as important instruments for realizing human rights and calling for the promotion and support of co-operatives.*

*It is anticipated that these activities will heighten the awareness and understanding of basic social and economic rights, as well as the right to development, so as to protect the development of new co-operatives in the region.*

## **The Right to Development: A North-South divide?**

The growing economic divide between North and South may well be reflected in the upcoming World Conference on Human Rights, as many developing and industrialized countries define their human rights concerns in sharply different terms. One basic difference over how much emphasis to place on the 'right to development' may set the tone for a pointed debate at the Vienna conference.

Many developing countries contend that political and civil rights cannot be separated from, or be given priority over, economic, social and cultural rights. Increasingly, they have asserted that development is an essential human right and objected to what many see as the industrial countries' narrow

\* This article appeared in the UN Chronicle, DPI/1354-93207-March 1993-15M. The introduction was submitted by MariaElena Chávez, UN/Development Liaison Officer, ICA Geneva.

view of human rights as solely involving political and civil liberties. Indeed, in their view, economic development and an adequate standard of living are preconditions of expanded political and civil rights. Further, the 'collective rights' of people, some argue, may take precedence over certain rights of individuals.

A number of industrial countries, on the other hand, contend that some individual freedom must exist for successful development to take place. Some have pressed developing countries to open their political processes and better protect their citizens' civil rights.

Partially reflecting both points of view, Secretary-General Boutros Boutros-Ghali recently declared that 'development provides the foundation for human rights advances and ... equally, human rights is the key which unlocks the creative energies of people so central to economic progress'.

The UN has acknowledged development as a right, implicitly or explicitly, practically from its inception. In 1948, the right to development was confirmed in Article 28 of the Universal Declaration of Human Rights, which states that 'everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized'. The Universal Declaration also recognized the rights to work, to education and to an adequate standard of living. The Covenant stressed the 'essential importance of international co-operation' in realizing this right.

The 1966 International Covenant on Economic, Social and Cultural Rights made this commitment more explicit, obligating States to 'recognize the right of everyone to an adequate standard of living... including adequate food, clothing and housing, and to the continuous improvement of living conditions'.

The 1969 Declaration on Social Progress and Development stated that 'all peoples and all human beings ... shall have the right ... to enjoy the fruits of social progress and should, on their part, contribute to it'.

In 1986, the General Assembly adopted the Declaration on the Right to Development, which it described as 'an inalienable human right by virtue of which each person and all peoples are entitled to participate in, contribute to and enjoy economic, social, cultural and political development in which all human rights and fundamental freedoms can be fully realized'. The Declaration proclaims, among other things, that: the human person is the central subject of development and should be the participant and beneficiary of the right to development; all human beings have a responsibility for development; and States have the primary responsibility for creating national and international conditions that will allow the right to development to be realized.

The Declaration also states that the right to development is both an individual and a collective right - a right of 'every human person and all peoples' - and adds that 'equality of opportunity for development is a prerogative both of nations and of individuals'.

## Interrelationships

Continuing this emphasis, the World Conference on Human Rights will consider 'the relationship between development, democracy and the universal enjoyment of human rights, keeping in view the interrelationship and indivisibility of economic, social, cultural, civil and political rights'. In March and April 1992, at the second Preparatory Committee meeting for the Conference, some developing countries made it clear that they attached special importance to the subject:

India, for example, stated that the 1993 Conference needed to emphasize that development should be the central global concern, so that the weakest and the poorest were enabled to enjoy human rights. China stated that the Conference should reflect the important connection between human rights and economic development.

Declarations adopted at regional preparatory meetings for the World Conference have similarly underscored the interrelatedness of human rights and development. In the Tunis Declaration, representatives of the African States affirmed: 'Political freedom, when not accompanied by respect for economic, social and political rights is precarious'.

The Declaration continued: 'Lasting progress towards the implementation of human rights implies, at the national level, more equitable economic relations, as well as a favourable economic environment'.

In part, this emphasis reflects the view of many developing countries that world attention to human rights viola-

tions has focused so far almost exclusively on such concerns as torture, executions, imprisonment without fair trial and involuntary disappearances.

## Obstacles to Development

During the 1992 session of the Assembly's Third Committee (Social, Humanitarian and Cultural), several Asian, African and Latin American delegates articulated the view that consideration of human rights should give priority to development issues.

'If there is genuine concern about the human rights situation in developing countries', said Li Daoyu of China, 'the primary need is to remove obstacles to development, lessen external trade, provide those countries with unconditional assistance and create a better economic environment for their survival.'

Said Luis Fernando Jaramillo of Colombia: 'The right to development is the pillar for economic and social rights, which must help preserve civil and political rights. The right to development is an inalienable right, yet industrialized countries fail to recognize it.'

In contrast, at last year's Earth Summit, the United States qualified its support for the Rio Declaration on Environment and Development by reiterating its position that 'development is not a right. On the contrary, it is a goal that we all hold, which depends for its realization in large part on the promotion and protection of the human rights set out in the Universal Declaration of Human Rights.'

In the same vein, British delegate Henry Steel told the 1992 session of the Commission on Human Rights that unless human rights were protected by an open, fair legal system, ordinary citizens would not be motivated to play a full part in the development process. Far from being abstract, the debate on the right to development has far-reaching economic implications.

Developing countries have argued that the current state of the world economy is not conducive to the expansion of human rights. Foreign debts of developing countries currently amount to more than \$1.3 trillion. Primary commodity prices, upon which most developing nations' economies depend for exports and hard currency, have reached their lowest levels since the 1930s. In Africa, Asia and Latin America, extreme poverty remains the lot of hundreds of millions of peoples. Developing countries have also called for their efforts to be supported by an increased flow of resources and by measures creating a favourable environment for development. In particular, they want a restructuring of international economic relations.

Similar proposals were made at the 1992 session of the Commission. In the view of Nigerian delegate Olu Adeniji, most developing countries were victims of an international economic system that inhibited their economic and social development. He emphasized that the debt burden and ever-falling commodity prices had led to drops in national incomes and increasing impoverishment.

The dispute is also manifested in conflicts over international development assistance, with developing countries objecting to political conditions that are increasingly being set by donor Governments. Outside pressure to hold elections or to free prisoners, for example, is regarded as infringing on national sovereignty. Such conditionality is also viewed as selective and discriminatory.

According to the San José Declaration of the Latin American and Caribbean States, 'when democratic Governments are making determined efforts to resolve their human rights problems, such problems should not be used for political ends or as a condition to extending assistance or socio-economic co-operation'.

The Tunis Declaration, meanwhile, cautioned that 'no ready-made model' of human rights 'can be prescribed at the universal level since the historical and cultural realities of each nation and the tradition, standards and values of each people cannot be disregarded'.

Many developing countries believed that the industrial countries are obligated to provide assistance and redress the international economic barriers in the way of economic development, such as heavy foreign debt burdens and record-low prices for the commodities developing countries export.

Thus, among the 'obstacles to development' identified at the San José regional meeting were 'poor socio-economic conditions resulting partly from the transfer of resources for the servic-

ing of foreign debt and from the disparity in the terms of international trade'.

The San José Declaration also cited the 'shortage of resources for the institutionalization and implementation of justice'. The Tunis meeting likewise noted that 'the proper administration of justice and an independent judiciary' were 'impossible without substantial investment'.

Furthermore, observed participants at the 1990 UN Conference on Economic, Social and Cultural Rights: 'In the absence of an active programme of international assistance and co-operation on the part of all those States that are in a position to undertake one, the full realization of economic, social and cultural rights will remain an unfulfilled aspiration of many countries'.

Despite the different priorities of developing and industrial countries on the issue of development and human rights, there is a broad consensus that 'without democracy, a people's potential for socio-economic progress cannot flower', Bangladesh's Foreign Minister Mostafizur Rahman told the UN General Assembly in 1991. But there is also a widespread concern, he said, that 'without improved standards of living and a vision of the future that cannot sustain hope, democracy will wither'.

**1993 - International Year for the World's Indigenous People**  
Launched by the United Nations General Assembly in New York on Human Rights Day, 10 December 1992, it 'will

provide an opportunity to focus the attention of the international community on one of the planet's most neglected and vulnerable groups of people'.

The Year's theme - 'Indigenous people: a new partnership' - will encourage the development of new relationships between States and indigenous people and between the international community and indigenous people.

Erica-Irene A. Daes, Chairperson/Rapporteur of the Working Group on Indigenous Populations, explained, 'Indigenous people have told us that their human rights are part of a total quest for well-being. We do not want the International Year to be a lot of empty words; we want there to be real advances'.

Indigenous people are descendants of the original inhabitants of many lands, strikingly diverse in their cultures, religions and patterns of social and economic organisation. An estimated 300 million indigenous people live in more than 70 countries, from the Arctic region to the Amazon and Australia.

A generation ago, many indigenous people were not entitled to vote. Today they are increasingly visible partners in the struggle to protect the global environment and promote sustainable development and resource use.

In conjunction with the ILO and other United Nations agencies and offices, the Centre for Human Rights in Geneva will ensure the coordination for the Year.

At the national level, States were urged to include measures that would:

- \* Encourage participation of indigenous people in the preparation and implementation of all activities undertaken in connection with the Year; and
- \* Encourage indigenous organisations and communities to prepare their own programmes and activities.

At the international level, the General Assembly likewise recommended that the United Nations systems should:

- \* Fund concrete projects for indigenous communities, reflecting the

wishes of indigenous people, that can be of direct benefit to them;

- \* Provide technical assistance to Governments wishing to make provisions in their legislation for protecting and promoting the human rights of indigenous people, in particular on questions of land, environmental protection and strengthening cultural identity, and provide technical and financial assistance for implementing such legislation.

For further information, contact: International Year for the World's Indigenous People, Centre for Human Rights, United Nations, 1211 Geneva.

*The ICA Regional Office for Central America and the Caribbean has implemented a series of activities to commemorate the International Year for the World's Indigenous Peoples under the aegis of the Human Rights Programme. These are:*

- \* *Seminar on 'Identity, Culture and the Mayan Perspective', held at San José, Costa Rica, 17th February 1993. The seminar was attended by members of the Liga May Internacional and co-operative leaders from Costa Rica and Guatemala.*
- \* *Training Seminar on 'Women, Human Rights and Co-operatives', Totonicapán, Guatemala, 25 - 26 March 1993. The seminar was attended by 73 people, of whom 55 included women from indigenous communities, women co-operatives and community leaders.*
- \* *A Training Module - 'Human Rights of Indigenous Peoples, Indigenous Common Law, Cultural Values and Identity'*

*All seminars and workshops organised by the regional office under the aegis of the Human Rights Programme will have a module focusing on the various UN legal international instruments on the above as well as on the cultural understanding of indigenous peoples.*

# Environmental Problems and the Japanese Co-op Movement

by Momiyoshi Shigaki\*

Japan has enjoyed a high rate of economic growth since the Second World War, while relying on other countries for most of its industrial resources. However, we have experienced serious environmental problems as a result of this rapid economic expansion.

Japanese co-operatives have been undertaking a critical review of our lifestyles, together with the effect of our activities upon the environment. As a result, we have come to recognize that, whilst we should take action to establish the fair and democratic 'co-operative community' advocated by Dr. Laidlaw, we must also ensure that any such action will not adversely affect the environment.

Co-operatives are community organizations, based on links between people. As such, they are not only responsible for business operations in the fields of agriculture, forestry and fisheries, but are also involved in various activities related to people's daily lives. Co-operatives are thus in a unique position to achieve sustainable development.

---

\* Mr. Shigaki is Chairman & President, of the National Federation of Agricultural Co-operative Associations (ZEN-NOH).



We Japanese co-operatives will endeavour to deepen our solidarity with our fellow ICA members from around the world, and promote environmental protection activities at every level, from local to regional, and from national to global.

The following is a report on the environmental protection activities being promoted by the Japanese agricultural, forestry, fisheries and consumer co-operatives.

## **Agricultural Co-operatives**

In Japan, agriculture helps to preserve the environment. More and more people have come to understand this fact, observing, for example, the way rice





*Left: Compost makers, which are effective for putting kitchen refuse and dead leaves to good use, are tested at ZEN-NOH's Agricultural Technical Centre.*

*Below: Environmental preservation is an important issue for livestock farmers. As one of the ways to improve the environment of hog farms and also the image of swine production, agricultural co-operatives have been introducing a campaign to spruce up the farms with colourful, perpetual flower patches.*



paddies function as reservoirs and dams to prevent flooding. At the same time, there is a growing interest in matters like food safety and in ensuring that agricultural practices preserve the ecosystem.

In view of these trends, the 1991 National Convention of agricultural co-operatives announced policies to promote environmentally-friendly agriculture and the production of safe, high-quality goods. Based on these policies, agricultural co-operatives themselves have begun to inspect produce for pesticide residues. They have also embarked upon 'healthy soil' campaigns which concentrate on the proper use of chemical fertilizers and pesticides, thereby ensuring sustainable agricultural development with due attention to environmental protection.

With a limited amount of farmland on which to produce enough food to sustain its 120 million people and, at the same time, to secure environmental preservation, it is vital for Japanese agriculture to utilize advanced technologies. ZEN-NOH has therefore initiated a three-year operating programme this year, with the programme slogan of providing 'Security to Agriculture and Consumers'. Under this programme, we are undertaking research into forms of rice cultivation that require no ploughing and use less pesticides, yet improve crop yield and quality. We have also developed methods of animal husbandry which permit animal waste to be recycled into useful resources during the agricultural production process. It can thus be seen that active promotion of envi-

ronment-oriented production, and the use of new technologies are not mutually exclusive.

## **Forestry Co-operatives**

In view of the fact that forests are endowed with numerous environmental preservation functions Japanese forestry co-operatives adopted a five-year campaign plan at their National Convention in 1989. The objectives of the campaign were firstly to establish resource-rich forests containing trees of varying ages and species, and secondly to promote the integrated use of forests by, for example, developing the cultivation of mushrooms and other edible forest plants, and encouraging communication between the members of forestry co-operatives and urban residents.

The guiding principle of forestry co-operatives begins and ends with the creation of healthy forests. Forestry resources belong to all generations and it is important to raise forests with this in mind. Forestry co-operatives will continue their environmental preservation efforts by maintaining resource-rich forests (through well-organized programmes of planting, pruning and thinning).

## **Fisheries Co-operatives**

Water can rightly be said to be the source of all life. With this in mind, fisheries co-operatives confirmed various measures for environmental protection at their National Convention in 1989. These include campaigns for the preservation of fishing grounds, activities to reduce the pollution of seas



*Environment-friendly products developed by the JCCU.*

and rivers by discouraging the use of synthetic detergents, and tree-planting drives along coastal areas to help create an environment friendly to marine life. This tree-planting is a unique experiment, born from the viewpoint that it is first necessary to maintain the cleanliness of water to preserve fishing grounds and increase fish stocks, and then, to protect the water, we must secure a favourable environment in those areas adjacent to rivers and seas by planting trees there. This can rightly be said to be a campaign integrating land and sea. Also, throughout the country there have been regular beach-cleaning drives in which co-operative members, officials, and staff participate together. They have now become so common that they are regarded as a familiar part of the fishing village scene.

## **Consumer Co-operatives**

Japanese co-ops first became involved in environmental issues during the 1960s, and were among the pioneers in Japan to confront problems related to water pollution. As one measure, co-ops developed environmentally safe detergents and educated co-op members about the importance of using them. Co-op activities have reached a new stage now that the environment has become an issue of global importance. To date, co-ops have developed and distributed approximately 200 environment-friendly products. These products bear a standardised symbol to show that they meet one of the three conditions: the product cannot impose undue strain on the environment; the product can be recycled; and/or the product conserves energy or natural



*Children of co-op members participating in a river water analysis programme.*

resources. In co-operation with auto-manufacturers, co-ops are also developing electric and methanol vehicles that will be used to deliver goods purchased by HAN groups.

Co-ops also work to increase environmental awareness by educating members about hands-on conservation activities that each household can perform. One project that members have enthusiastically supported is the collection of milk cartons, which co-ops recycle into toilet paper rolls. The recycling of cans, plastic trays, and bottles is also increasing. In addition, members are reminded that environmental awareness begins in their own homes, and they can examine their day-to-day life for ways to conserve energy and preserve the environment. Members are also encouraged to participate in

surveys to monitor air and water quality in their communities.

In 1991, consumer co-operatives adopted the 'Consumer Co-operatives' Environment Conservation Drive - Concept and Guidelines', whereby they confirmed that environmental issues are closely linked to all the activities of consumer co-operatives. Based on these guidelines, the Japanese Consumers' Co-operative Union has developed about 300 environmentally-friendly products under the slogan 'Let Us Protect Life and the Earth'. Consumer co-operatives also supply recycled products and refills.

At present, consumer co-operatives are drafting the 'Environment 21 Plan' as the 21st century approaches. This plan is designed to reduce the environmen-



*Consumer co-ops in Japan distribute special packs containing equipment for measuring the percentage of acid in rainwater. Here a co-op member monitors the amount of acid rain in the vicinity of her own home. Naturally, the idea is to get members involved and aware, not to conduct an accurate scientific experiment.*

tal burden of products in an integrated way, for example, by compiling common guidelines together with Government offices and interested private enterprises.

### **Joint Action**

The activities currently undertaken by our four co-operative groups are further developed through the launch of a joint action programme of environmental protection, which will be the first such experiment in the history of the Japanese co-operative movement.

Our four co-operative groups, with a total of 36 million members, have decided upon three key activities based on the concept of 'Water, Flora, Land: Environmental Action by 36 Million Co-operative Members'. The activities are as follows:

### **Local Environment "Clean-Up"**

Currently, the women's sections of agricultural and fisheries co-operatives and the members of consumer co-operatives voluntarily promote recycling, the preservation of water resources and other related activities. For example, they observe the condition of domestic sewage in their own homes, thereby learning how to avoid the contamination of water; monitor the levels of acid rain and air pollution; and also recycle milk cartons, aluminium cans, and other waste. The Local Environment Clean-Up Campaign aims to reinforce these activities and further promote them both at group level and nationwide.

This new campaign has four main components: first, environmental improve-



*Left: customers are encouraged to carry their own shopping bags and decline packaging of commodities at agricultural co-op superstores even though this may only be a very small step to resource conservation.*

*Below: used milk cartons, bundled and put into boxes, are collected and prepared for recycling.*



ment through the study of our daily life and local environment; second, a drive to encourage the use of environmentally-friendly products; third, the promotion of recycling and the organisation of networks for this purpose within communities; fourth, regional activities for environmental conservation and beautification to preserve water resources and to increase greenery. The campaign hopes to involve not only our 36 million co-operative members throughout the country, but also the population as a whole.

### **Environment-friendly Business**

This includes business activities such as expanding the development and promoting the use of environmentally friendly products, developing a system for the evaluation of these products, and saving energy and other resources in co-op offices and stores.

### **Global Solidarity**

The third key activity is an international movement aiming to assure a 'sustainable common future'. To this end, we promote the expansion, on a global scale, of close links between co-operatives, currently concentrating on the Asia and Pacific Co-operative Environment and Development Workshop, and on participation in the ICA environment and development programme. We hope to carry out concrete activities in collaboration with ICA Headquarters and Regional Offices.

### **Rainbow Environment Fund**

At the Tokyo Congress, it was proposed that 'as a reflection of their com-

mitment to sustainable development, national co-operative organizations and development agencies should establish their own special environment and development funds'. In response to this declaration Japanese co-operatives established the Rainbow Environment Fund.

If each of Japan's 36 million co-operative members were to subscribe 100 yen to the Rainbow Environment Fund in order to demonstrate their support of environmental protection it would be possible to raise a very large amount of money. However, it is more important that each member have a deep understanding of environmental issues. We have a long way to go, but we are determined to make steady progress toward our goal, with our efforts to boost co-operation among members, to appeal to the population at large, and to secure the support of Government and other organizations.

I would like to share with you an old Japanese folk-tale called 'A Crane Returns a Kindness'.

Long ago, an old man and his wife found a crane that was injured and nearly dead. Through their great caring, they were able to nurse the crane back to health. By and by, the crane was completely healed, and she left the old couple. One day a beautiful young girl came to them. The girl hid away in a room, from which, day and night, came the sounds of weaving. Finally, they looked inside the room and saw the crane; she had created a treasure of beautiful silk. The crane then thanked the old couple for their kindness and flew away forever.



*Members from a Han group take part in a river analysis programme.*

Mankind has benefited, and continues to benefit, from the natural environment of this miracle, planet earth. Yet we are sacrificing the earth to our economic activities, and if the present situation continues our environment will soon deteriorate past the point of no return.

Surely now is the time for co-op members to take the lead in returning the kindness that the earth has bestowed on us, like the crane in the folk tale.

In order to do this, Japanese co-operatives are working towards the coordination of lifestyles and economic activities so as to create a better relation-

ship between man and the environment. Our motto for this is 'think on a global level and act on a local level' and 'think on a local level and act on a global level'.

A total of 700 million people, including the Japanese, are members of co-operatives worldwide. I believe that the earth could survive forever with its symbiotic environment intact—if each individual, who is honest to himself, to his family, to the community, and to the earth and nature, were to get together with another individual who cares and, in this way, these 700 million individuals could combine their power to reach this goal.



# Exploring the Future of Recycling

## Experiment in Pre-Processing

The construction of the JCCU's experimental recycling centre in Okegawa, Saitama prefecture (about 40 kilometres from Tokyo), has been completed. The centre's operations, which began this April, are a response to the serious problem of waste disposal caused by the advent of Polyethylene Terephthalate (PET) bottles, used as beverage containers, and the Styrofoam trays used in food packaging.

At the centre, Styrofoam trays, PET bottles, aluminium cans and milk cartons collected from 91 co-operative stores in the Tokyo area are pre-processed for recycling. This is the first facility of its kind in Japan to be operated by a retailer for the purpose of facilitating recycling.

The recycling centre is built within the grounds of the JCCU's Okegawa Central Distribution Centre, and covers an area of 1,000 square metres. Two volume-reducing machines are installed, one capable of processing 1,000 to 1,200 PET bottles an hour, and the other reducing 100 kilograms of Styrofoam trays an hour.

The trucks that deliver goods to co-operative stores from the distribution centre will return with the stores' waste materials. After foreign substances have been removed from these wastes, they are sorted, reduced in volume, and stored at the recycling centre,

where they are pre-processed before being sent on to industrial recycling plants. Trays are eventually recycled into egg cartons and containers, while PET bottles are turned into recycled PET bottles and drain nets (see chart page 53).

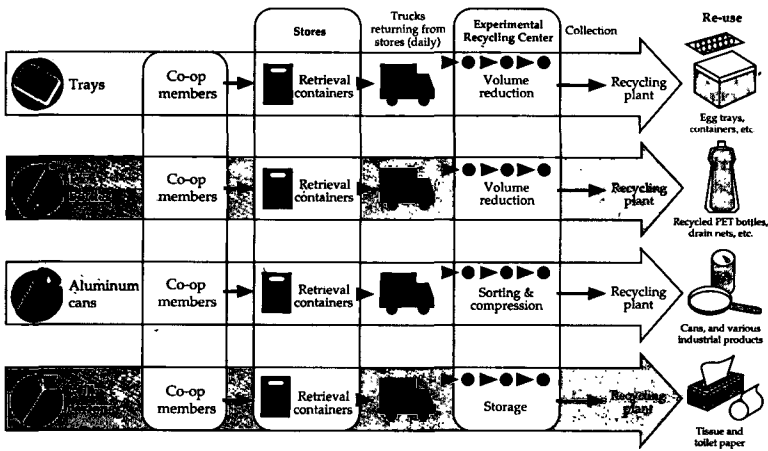
## Reducing Costs

Recycling has not increased significantly due to its expense, the lack of uses for recycled goods, and the high transportation costs it incurs. However, by constructing the recycling centre on the grounds of the distribution centre, the JCCU has been able to keep transportation costs to a minimum. Furthermore, by collecting trays, aluminium cans and PET bottles together, costs and labour have been further cut, while transportation and storage efficiency have been increased.

'We noted that the cost of recycling is the same whether we recycle single or multiple items. So we felt that there was a need for a comprehensive recycling centre, and started one as a social experiment', says Koji Motokawa of the JCCU Environment Secretariat.

## Providing Data

The JCCU will make the data obtained from the recycling centre available to industries and administrations, and will make active proposals on policies which will lead to a society that makes full use of recycling technologies in the future.



PET bottles that have been collected are transported via conveyor belt and crushed. Fifty to sixty bottles are compressed into a small lump.

### Early Morning Delivery

Joint purchase is the mainstay of Japanese co-operative activities. Under this system, products are usually delivered to each han<sup>1</sup> at a set time during the day. However, those who are away from home during the day find it difficult to use this system. To solve the problem, Nagoya Kinro-Shimin Co-op started making early morning deliveries in March, 1993.

Under this operation, dubbed 'Morning Co-op', part-time workers make twice-weekly deliveries of food items such as milk, bread, fruit, sliced vegetables, tofu and desserts to about 2,500 han between 4 and 6 a.m.

Actually, the early morning delivery concept is not new, since milk has been delivered this way ever since the co-op's establishment.

### Increasingly Popular

A total of approximately 110,000 of the 140,000 Nagoya Kinro-Shimin Co-op members make use of the joint purchase system, and the number is increasing each year. However, with more women working outside the home, it is becoming increasingly difficult to accommodate working women through conventional arrangements and management needed to provide a solution for the future. As a result, Nagoya Kinro-Shimin Co-op decided to develop 'Morning Co-op' into a major operation.

With the sharp rise in the number of Japanese women joining the work force in recent years, housewives - once key players in joint purchase operations - are staying home for shorter periods of time.

To cope with the diversifying lifestyles of their members, various co-ops are trying out new and different approaches. Early morning and evening delivery are two such examples.

<sup>1</sup> see Review of International Co-operation Volume 85 no. 4 1992



*The conference was inaugurated by Isao Takamura, President of JCCU.*



# Regional Conference Focuses on Gender Issues

by P. Nair\*

The ICA Regional Office for Asia and the Pacific collaborated with the Japanese Consumers' Co-operative Union, one of their major development partners, in holding a Regional Gender Planning Conference.

Held in Tokyo from March 1 to 6, 1993, under the sponsorship of the ICA ROAP, JCCU, SCC and ICA Women's Committee, the goal of the conference was to discuss gender integration in co-operative development and search for more effective methods and strategies for enabling women to have equal opportunities to participate actively at all levels in co-operatives.

Forty-five delegates from co-operatives around the world, representatives from UN organizations, NGOs like the AWCF (ASEAN Women in Development Co-operative Forum), as well as representatives from the JCCU and Zengyoren, participated.

## After Colombo

The conference was a result of the ICA Regional Office's holding a regional consultation in Colombo in 1992 that laid down initial strategies for gender planning in co-operatives and deter-



mined both the format for the 1993 Regional Gender Planning Conference and its agenda.

Earlier, at the inaugural ceremony, Mr. I. Takamura, President of the JCCU noted that, 'From now on, as we move forward with the development of the co-op movement, we must not be satisfied with women only being a hidden resource. We should properly evaluate the role of women and we should prepare an environment in which women are able to fully utilize their talents.'

Ms. M. Horiuchi, Director of Women's Affairs for the Prime Minister's Office and the chief guest at the conference, noted that women were very active at the grassroots level and that the consumers' co-operatives in Japan have

\* Mr. Nair is responsible for desk top publishing at the ICA Regional Office for Asia and the Pacific in New Delhi.



*Group discussions are in progress between Ms. Lota Bertulfo from the Philippines, Ms. Ila Bhatt from India and Ms. Maryam K. Saleh from Iran.*

the strongest women's organisation, adding that 'A target was set in 1991 for 15% of the Government's advisory council members to be women by 1995.'

Mr. G. K. Sharma, Regional Director of the ICA, in his address to the gathering, said 'Many positive steps have been taken by Governments to create legal and institutional environments for mobilizing women as a resource for development on a par with men. But many practical issues need to be resolved. Otherwise, policy changes will have limited effect. ICA ROAP is in the process of reviving the gender component of the regional office at the request of numerous member organizations and women's committees. As for Japan, the JCCU will not only provide financial support for the programme, but also provide a woman consultant in the future.'

## Seeing First-hand

The conference lasted for four days and at the end the participants were taken on field visits to various co-operatives in and around Tokyo, to see the various workings of the co-operatives and women's activities. The participants were quite impressed by the initiatives taken by female Japanese co-operative members in their co-op activities.

The delegates were divided into four groups and were requested to answer specific questions on gender planning. The delegates also prepared country-specific action plans, which were discussed at the Conference.

A separate drafting committee was formed, and a 'Statement on Gender Integration in Co-operatives and a Call for Action' was adopted.

# Reflections on Gender Planning

---

*After the Conference on Gender Planning in Co-operatives, the editors of 'Coop Japan Information News' had an opportunity to discuss the conference with two persons who have considerable experience with issues concerning women in development: K. Apelqvist and W. U. Herath. The text of that discussion follows, which is a reprint of the article which appeared in Issue no. 13 May 93 of the above publication.*



Katarina Apelqvist of Sweden, chairs the ICA Women's Committee, a position she has held since 1991. Trained as a journalist at Sweden's Journalists' College, she worked at various newspapers until 1965, when she joined the Co-operative Insurance Group, Folksam. At Folksam she has held a number of positions, including that of the first woman on the Folksam Group Management Board.

*There were quite a few issues discussed here today. From your point of view, what were the major outcomes of this conference?*

Herath: We wanted to achieve two things at the conference: first, we



W. U. Herath of Sri Lanka, serves as an Advisor for Human Resources Development at the ICA Regional Office for Asia and the Pacific. His work with the co-operative movement began in 1970, when he joined the Department of Co-operative Development, Sri Lanka. There, he held several positions and worked in a variety of capacities before becoming an ICA Advisor.

wanted to prepare a statement for the future and a call to action. Second, we wanted to produce action plans for gender planning in co-operatives. Both these goals were met: the statement and call to action were approved by the conference participants. In addi-

tion, action plans for the institution of gender integration were developed for 10 countries.

*The term 'gender integration' is probably a new one for many of our readers. Could you briefly explain the meaning of this term for us?*

Herath: Gender is very much different from sex. Sex is a biological difference, while gender is determined by the social and economic conditions in which people are brought up. Gender integration attempts to alleviate problems caused by gender stereotyping, where the stereotypical roles of men and women prevent their equal participation in the economic and social development of their countries. The incorporation of gender integration means that men and women will be able to contribute toward development on an equal basis as equal partners. This goes for their participation in the development of co-operatives as well.

Apelqvist: Gender you learn, sex you are born with. If I were to state how I view the two typical gender roles it would be as follows: the typical 'male' role is object-oriented and focuses on achievement through competing with others. People playing the typical 'female' role are more people-oriented and focus on achieving harmony with others. In most countries, both in the family and in the labour market, men play the male (dominant) role, and women play the female (subordinate) role. Gender integration deals with bringing equality to these roles.

*Since our readers are familiar with the state of women's participation in co-operatives in Japan, could you tell us something about the status of women in co-operatives in Asia?*

Herath: Women's status in Asia hasn't changed much since the end of the United Nations Decade for Women in 1985; health, life expectancy, illiteracy, and the degree to which women can participate in development, have not improved much since then. One exception to this is in the so-called socialist countries - for instance, Vietnam shows the highest rate of female participation in the economy and women occupy leadership positions in the co-operatives. However, because the situation is different in most places, the revitalization of the gender integration programme is vital at present.

*So you're saying that the situation facing Asian women is a fairly static one. Can you tell us what major factors are hindering women's participation at various levels in co-operatives?*

Herath: One of the problems we have encountered is the Eastern cultures themselves. Even in fast-developing countries such as Japan, Korea, and Singapore, improvement of the situation of women has not occurred in line with those countries' economic advances; you still don't find women at the policy-making levels in either the public or private sectors. Also, superstitions and religious practices interfere; women are expected to be passive. Furthermore, because the life expectancy situation is worsening in

some countries that are getting poorer - like Bangladesh for instance - people are no longer improving themselves. And the main victims of these circumstances are women.

Apelqvist: The subordinate role of women, a situation which has been passed down from generation to generation in almost every country, causes a much larger number of women to be illiterate than men worldwide. However, for women to demand literacy, they first need self esteem. This cannot be acquired when they play a subordinate role.

*We understand that women's status has been well advanced in Scandinavian countries. Does this apply to the co-operatives as well?*

Apelqvist: Women are very active in co-operatives in Scandinavia, but we still have some of the same problems as co-operatives in Asia. For example, most women co-op members participate at the basic level. Though we have a growing number working in middle management, the higher you look in the organizations, the fewer women there are. However, there has been some progress in gender integration; women have organized formally and informally, politically and non-politically, and the progress in gender integration is the result of these women's activities and perseverance.

*That's a good point. Clearly, this is a situation that requires some sort of action. How have gender problems been taken up by the Women's Committee and the ICA Regional Office?*

Herath: Until the termination of the United Nations Decade for Women, we had a women's section in the ICA - and in 1989, we began to revise our programme to incorporate gender integration. As a consequence, we had to do a number of studies on human resources. In one of these we looked at the situation in 14 countries. There, we found that we need to reapply ourselves to gender integration urgently if co-operatives are to succeed in meeting the challenge of opening up the economies of Asian countries. So we approached the JCCU and the Swedish Co-operative Centre for support. With it, we will be carrying out gender integration activities over the next few years.

Apelqvist: Because the ICA Women's Committee is an all-women's committee with 59 members from 30 countries, we have been contributing our expertise as consultants. For us, the question of gender integration is not only a question of social justice, it's a question of necessity for the co-operative movement. The movement will suffer, and may not survive, if women's skills, values, and energies are not utilized more in the near future.



# Joint Participation of Men and Women in Japanese Consumer Co-operatives

---

by A. Yamauchi\*

Even though men have started to help women with the household chores in recent years, tasks such as shopping and preparing food still remain, for the most part, the jobs of women. As a result, 95 percent of the members of consumer co-operatives are also women.

## Changing Focus

Through their participation in the consumer co-operative movement, Japanese women have shifted their focus from the kitchen to society. Additionally, as a result of their efforts to meet the needs of their mostly female members, Japanese consumer co-operatives, have grown to the point where approximately 20 percent of Japanese households are members of consumer co-operatives.

## Lack of Balance

Let's now analyze the present status of consumer co-operatives in terms of joint participation of men and women. As mentioned previously, at the member level women greatly outnumber

men, and there are problems arising from this lack of male membership.

At the employee level, although women account for 92.1 percent of part-time employees, they only make up 18.6 percent of full-time workers. At the division manager level, 2.2 percent are women and a mere 3.3 percent of section managers are women.

The imbalance continues at the director level, as even though 95 percent of board members are women only 10 percent of chief directors, 2 percent of representative directors and 8.9 percent of managing directors are women. Summarizing these facts, it seems that, while the members are primarily women, consumer co-ops are being managed by men.

## Call for Action

The JCCU Women's Council has made the following suggestions to individual consumer co-operatives, in order to increase the participation of women at the decision-making level:

- 1 Make joint participation of men and women one of the key tenets of the consumer co-op movement.

---

\* Ms. Yamauchi is working with the JCCU in Corporate Planning Office in Tokyo. She is responsible for welfare issues.

- 2 Conduct further studies on internal and external measures that will lead to the joint participation of men and women.
- 3 Increase the participation of women when decisions are being made in the management of the organisation.
- 4 Strengthen the education and training of women so that the number of

permanent female board members will increase.

- 5 Emphasize training programmes for female employees.

The Women's Council has strongly requested the JCCU to increase the number of female participants at board meetings and other executive gatherings, and create action plans to promote the joint participation of men and women in consumer co-op activities.

# Recommitment at Manchester

by Ian MacPherson\*

## Defining the Challenge

In 1988, while addressing the Stockholm Congress of the International Co-operative Alliance, President Lars Marcus issued a challenge to the international co-operative movement. Concerned about questions of co-operative identity in the industrialised countries, the uncertainties confronting co-operatives in Eastern Europe, and the failures that had occurred in southern countries, he asked the international movement to re-examine its basic values so that it could better meet the needs of the twenty-first century.

Between 1990 and 1992, under the leadership of Sven Ake Book of Sweden, representatives from the international movement discussed the nature of co-operative values at great length in a series of colloquia held around the world. At the 1992 Tokyo Congress, ICA delegates received a report from Mr. Book which summarized his views on the essential co-operative principles. In that report, he said that co-operatives expressed their basic values by undertaking economic activities for meeting human needs; by fostering participatory democracy; by



sustaining human resource development; by practicing social responsibility; and by practicing national and international co-operation.

## Reconsidering the Principles

Between the Tokyo Congress of 1992 and the Manchester Congress, which will be held in autumn, 1995, the ICA is building on the discussions of values in order to present a clear co-operative alternative for the world in the twenty-first century. One part of this process is a reconsideration of the Principles as they were defined by the ICA in 1966.

The 1966 version of the Principles was an adaptation of the principles which had been adopted by the ICA during the 1930s. Those principles, in turn

---

\* Mr. MacPherson is Dean of Humanities at the University of Victoria, Canada, and Member of the ICA Board.

were a selection, with modifications, of the principles adopted by the Rochdale pioneers in 1844. In both previous formal reviews, the ICA sought to follow the spirit of the Rochdale pioneers while trying to demonstrate how co-operative principles could be adapted to address a wide range of specific contemporary issues. In the 1966 reformulation, too, the ICA was also trying to give greater recognition, without in any way diminishing the importance of the Rochdale traditions, to the fact that there were other, powerful complementary traditions within the co-operative banking, agriculture, workers and service sectors.

### **Meeting Current Needs**

The current review of principles follows the pattern of these earlier reviews. It is based on the belief that the essence of the co-operative way has been carefully developed over the years and that the traditions carefully sustained by co-operators over the generations must be maintained. Nevertheless, it will examine the principles to see if they articulate, as fully as possible and in the light of current needs, the essential co-operative values and requisite practices. It will also assess whether other principles, based on long-standing co-operative values that are particularly important in contemporary circumstances, should be added. Some of the revisions in the current principles that have so far been suggested are changing the current "strictly limited" rate of interest principle and considering a reference to gender in the membership principle. Some have also suggested that princi-

ples on the environment, operating efficiency, and government relations might be added. As currently envisioned, the Statement of Principles will be very similar in form to the existing Statement: it will be no longer than a page; it will be simply worded; it will be easily translated.

### **The Co-operative Message**

The second part of the process for defining a clear co-operative message for the twenty-first century is the preparation of a series of operating principles for each of the various co-operative sectors. This initiative is based on the understanding that there are significant differences among types of co-operatives and, therefore, there are different practices among them, particularly in democratic procedures, capital formation, and the distribution of surpluses.

Each of the Specialised Organisations of the ICA is being asked to consider existing operating principles and practices in light of the current principles and in light of what they think should be other principles. The objective ultimately is to have operating principles for each sector that accurately reflect practice and reconfirm the basic principles. When that is accomplished, the co-operative movement will reflect a greater consistency and distinctiveness to its members, governments and the public.

### **The Co-operative Charter**

The third part of the process for defining a clear co-operative message for the twenty-first century is the prepara-

tion of a co-operative charter. All of these projects are closely intertwined; in fact, deciding what should be included in the statements on Principles and what should be in the Charter will be a major challenge on the road to Manchester. The end objective though is very clear: it is to have an integrated series of statements that reinforce each other and can serve as a rallying call to co-operators and co-operatives around the world.

### **The Potential of Co-ops**

The Charter, through statements of objectives and examples of successful experiments (in the past and particularly the present day), will demonstrate the immense potential of the co-operative movement around the world. It will do so through the elaboration of themes that will be explored, developed, and decided upon by the summer of 1994. Some themes have already been suggested. They include: co-operatives and youth; co-operatives as a training ground for democracy; co-operatives and the environment; co-operatives and their communities; international ties among co-operatives; co-operatives and the state; co-operatives and emerging social needs; co-operatives as a form of empowerment (for the poor, for women, for disadvantaged areas). Themes such as these will be explored in a compelling and pragmatic way in about fifty pages of text.

### **Questionnaire on Principles**

In order to sample opinions among co-operators and to encourage co-operatives to consider their distinctive char-

acteristics and to envision what they would like to undertake in the next century, a questionnaire on the Principles and the Charter has been prepared. It is available on request from the ICA Office in Geneva; it is available in all of the ICA official languages. The questionnaire is intended as a way to understand how co-operators and co-operatives around the world view the current principles. It is intended to spark discussion; while it asks questions about specific issues, it also includes open-ended questions that should encourage co-operators and co-operatives to build on their values and principles in order to ensure the expansion of co-operative enterprise in the next century.

The questionnaire will also be used by each Specialised Organisation in order to begin the process of developing sector-specific 'Operating Principles'. These principles will address the specific practices, structures, and governing systems that each sector utilizes in order to compete in contemporary economies. These Operating Principles will differ from sector to sector, but the underlying Basic Principles will be the same. It is expected that each Specialised Organisation will have prepared its Operating Principles by the time of the Manchester Congress, although, in a few instances, this may not be possible.

Ian MacPherson, who is chairing the Resource Group that will review the Basic Principles and prepare the Charter, attended meetings in each of the ICA regions during the spring of 1993. He explained the objectives and proc-

ess to be used to the ICA members attending those sessions, and he invited co-operatives and co-operators in the regions to participate in the process. They have until April, 1994 to do so.

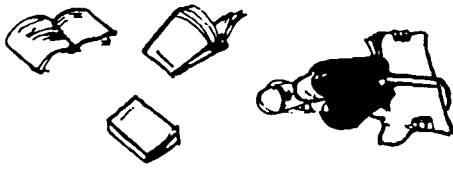
### **Send us your Views**

The review of the Basic Principles and the preparation of the Charter will be undertaken by a Resource Group that will commence its deliberations after the Geneva meetings. Drafts of its work will be distributed to a Consultative Committee of over forty co-operators scattered around the world and reflecting the diversity of the international movement. The names of the members of the Resource Group and the Consultative Committee will be announced at the Geneva meetings. As drafts of the documents reviewing the Principles and articulating the Charter are completed, they will be

considered by the Board of the International Co-operative Alliance. The final drafts of the document reviewing the Basic Principles and of the Charter will be completed and approved by the ICA Board by the end of 1994.

The ICA member organisations, co-operatives around the world, and co-operators concerned about the future of their movement are encouraged to communicate their views on this important project. They can do so by requesting and completing the questionnaire that has been specially prepared or simply by expressing their views by writing to:

Dr. Ian MacPherson,  
Dean of Humanities,  
University of Victoria,  
Victoria,  
British Columbia,  
CANADA V8W 3P4



# Book Reviews

## 1993 Yearbook of Co-operative Enterprise

*Published by the Plunkett Foundation, 23 Hanborough Business Park, Long Hanborough, Oxford OX8 8LH, UK, 259 pp, ISBN 0 85042 130 6, price £14.95*

The 1993 *Yearbook of Co-operative Enterprise*, published by the Plunkett Foundation, is a collection of high-calibre articles that examine the broad spectrum of co-operative enterprises from a variety of perspectives. This year, the *Yearbook* focuses on how co-operatives play a significant role in the economic life of most nations, and demonstrates the adaptability of the co-operative form of organisation to many types of business.

Part I, *The Role of Co-operatives in Economies Under Reconstruction*, examines the ways in which co-operatives have been involved in the evolution of economies from being State-run to market-driven. Two articles provide a general overview of the situation in Eastern Europe, while there are contributions focusing on specific developments in Germany, Hungary, Bulgaria, Estonia, and the former Soviet Union. The response of co-operative movements to structural adjustments in Africa - specifically Cameroon, Tanzania and Uganda - is also explored in separate articles.

The section on Innovative Co-operatives offers examples of how fresh approaches can be made to the use of the co-operative form of organisation. Public services can be offered in co-operative form, as witnessed by the existence of health care co-operatives and student housing in the USA. Social concerns are addressed by child care co-operatives in Canada and a co-operative radio station in Singapore. Commercial enterprises, too, can be innovative, as explained by articles on the Wine Society, a book publishing collective and a law practice in the UK.

The articles in Part III, *Co-operative Opportunities for Women in Developing Countries*, confirm that at a certain level women have been successful in running women-only co-operatives; however, the role they play is often confined to feminine interests and they are seldom given responsibility in economic activities or management. Specific examples of the effectiveness of women in co-operatives, from the bottom end of the scale right through to the achievements of women when they

are given full recognition of their potential, are found in articles on Kenya, Zambia, Ghana, the Philippines and Nicaragua. Also included are general overviews of women and co-operatives in Asia, promoting women's participation in co-operatives, and the role of economic interest groups and their relevance for women's development in Africa.

1992 saw many changes in UK co-operatives, and Part IV, the Annual Review of Co-operation in the United Kingdom, examines the impact of these changes on fishery, housing, community, worker, agricultural and consumer co-operatives, and credit unions.

---

## Grassroots Co-operative Action

by Koenraad Verhagen

*Published by International Labour Office, Geneva, Switzerland, 320 pp, ISBN 92-2-108225-3, price , CHF 35.-*

The Trainers' Manual 'Grassroots Co-operative Action', has been designed as a tool for the training of field workers, who work with people at the grassroots and are committed towards supporting economic ventures which the poor themselves are willing and capable of undertaking. Its contents are based on action research carried out over a broad spectrum of developing countries.

The manual provides an outline for a three-week course which can be shortened or extended according to specific needs. Its 29 half-day training sessions have been designed in such a way that course content and direction can be adapted to local circumstances and ample suggestions are provided for group work, role-playing and other

problem-solving exercises. In this way, field workers are given an opportunity to systematically reflect on their methods of work, failures and successes.

Dr. Koenraad Verhagen, the Manual's principal author, was working in conjunction with CEBEMO, a Dutch co-financing agency, as the Head of Studies whilst drafting the document. In June, 1990, he was nominated Secretary General of CIDSE in Brussels.

As an agent of change, a co-operative field worker can play a crucial positive role in altering the situation of the rural poor. He/she can contribute significantly to the improvement of their economic conditions by raising their awareness and by helping them initiate co-operative action and run such activities on their own.



The training programme is intended for training co-operative field workers and all those who can play both a catalytic and a facilitating role in co-operative development work at the grassroots level, especially among the rural poor. It aims at enabling the trainees to identify the positive and negative processes in the community which can influence its development; assist groups in rural communities to identify co-operative projects, and provide logistic and advisory support to the groups. The guide is divided into eleven sections (sessions), the main substance of each one being presented in a 'summary' followed by guidelines to the instructor.

The topics covered are the following:

1. Vision of Change
2. Identifying the Target
3. Identifying Co-operative Micro Projects
4. Feasibility and Planning
5. Education and Training
6. Mobilization of Savings
7. Management Support Services
8. Linkages with Third Parties
9. Process Extension and Movement Building
10. Monitoring and Evaluation
11. Course Evaluation & Commitment

---

## **Co-operative Housing: A Building with Many Facades**

by K.A. Stefan Svensson

*Published by The Swedish Co-operative and Research Institute (KOOPI), Box 20063, 10460 Stockholm, 90 pp, price SEK100.*

The study contains a comprehensive review of all the common and less familiar forms of co-operative housing that exist in Sweden, together with a presentation of all the larger co-operative enterprises and organizations.

The author presents interesting statistics and facts about co-operative members and their participation, and how democratic involvement and demo-

cratic structure has changed over a period of time. He discusses possible consequences of and implications regarding to the competitive efficiency of the co-operatives.

Svensson also provides us with a very interesting examination of the application of co-operative values and principles by the different forms of co-operative housing.

# What are the Viable Co-operative Models and Contributions for the Future

(Proceedings of the Tokyo Forum, 1992)

*Distributed by the Japanese Society for Co-operative Studies, c/o Educational Department of CUAC, 4771, Aihara-cho, Machida-shi, Tokyo 194-02, Japan, 348 pp.*

## Paradigm of the Garden

In the last issue of the ICA Review, we examined the paradigm of the garden. Continuing our series of reading presented as the art of gardening, we would like to introduce a book which we will call the Japanese garden. In Japanese gardens, detail has no importance "per se". It takes significance only within a larger perspective: a stone could be an island or a dolphin surfing the waves - waves which are paradoxically represented by their very antithesis: dry sand. A succession of stones would represent the Japanese archipelago or stages in human life. A careful wanderer will stroll through the garden going from one panorama to another so as to perceive the inherent unity in its diversity, as each arrangement has more than one symbolic meaning.

The ICA XXX Congress in Tokyo was fruitful from the viewpoint of the development of co-operative thought. The main report, "Co-operative Values in a Changing World", roused an animated discussion. The diversity of the papers presented in the report from the Co-operative Research Forum is a testament to the wealth and vivacity of co-operative research. Five sessions, like five panoramas from our garden, were offered and the reader can now experience the feeling of excitement

shared by the Congress participants in Tokyo, in October 1992, of being at the same time actor and spectator. Walking through a Japanese garden is not a passive activity, it is an intellectual effort.

During the first session on "Fundamentals of the Co-operative Model for the Future", the authors examined the plight of the contemporary movement. In the "Logic of Self-Help and Participation". J.G. Craig, after meticulous examination of the co-operative paradigm, maintains that the role of management is crucial in upholding co-op societies as self-help organs even when they grow old and large. Ki-Won Suh's paper brought an Asian point of view to the discussion on basic values. Analysing the relationship between the individual and the society in oriental culture, he explained why the role of the government in co-operative development is differently understood. Japanese experience in promoting international co-operation based on self-help was presented by Takashi Iwami.

The second session, "Experiences of Co-operative Performance", brought together reports investigating the consumer sector. Kaj Ilmonen, in his usual sharp style, depicted the crisis: "Although Finnish co-operation has slipped beyond the reach of its members, this tendency must not continue".

Brazda and Schediwy are talking about the process of managerialization and de-ideologization of co-operatives. The Japanese actuality described by Kiyofumi Kawagushi is quite different. In the mid-eighties, following changes in the social environment co-operatives had to redefine their strategy. The exercise was successful owing to the the high level of members' participation. Marietta P. Demelino puts forward the paradigm of sustainable development as a philosophical and psychological basis for co-operative operations in Philippines.

Community development in Saskatchewan, rural co-ops in China and child and health care in Sweden are "New Areas of Activities" presented during the third session. Hammond Ketilson epitomises the integrative function of the co-operative for local communities. Xiaoshan Zhang summarises recent developments in rural areas and clarifiés some distinctive features of Chinese co-ops. Jobring & Ternegret present the contribution of co-ops to the health care system - a field they were traditionally absent from.

Swedish consumer and dairy movements again provided empirical material to C.L. Svenson's study on goals and strategies of federative organisations. In the federative organisation, strategy formation is the outcome of process, which is not only according to the goals of federation but also to the goals of the member organisations. Among the multiplicity of possible goals, the one emphasised most frequently is the ability to survive. Viable co-operative models for Asia are ex-

amined in the G.P. Bhaye's. The background data was obtained through analysis of the Indian movement. The author concludes that the essence of co-operative development lies in the increasing productivity and technical competence of members. J. Juhasz, introduced the Central and Eastern Europe's agricultural co-ops. During the communist era the sector was dominated by statal or parastatal structures which proved generally inefficient. Agriculture is undergoing profound transformation leading to the establishment of new forms of collaboration between farmers. Co-operatives cannot afford to miss the opportunity of being present in the market.

The fifth and last part, "Co-operative Research for the Future" is in many ways the most enlightening if not the most interesting. Three authors are pleading "pro domo suo" on how to organise co-operative research. J. Nilsson, M.V. Madane and J.H. Wolf reveal their successes and frustrations and put forward ideas for the future. Applying the transaction cost theory to the production of co-operative knowledge, Nilsson calls for more planning and more public funds to finance research. Wolf considers an earth summit for co-operation to be organised near Rochdale "as our co-operative rain forests are chopped down, our co-operative water and air polluted, and our appeals are boycotted by the major industrial transnational powers". And Madane outlines an international scheme for the exchange of information and collaboration between researchers.

Alina Pawlowska

File

# Review of International Co-operation

Volume 86 No. 4 1993



International Co-operative Alliance Officers:

President: Lars Marcus (Sweden)  
Director-General: Bruce Thordarson (Canada)

Vice-Presidents:

Africa: Momodou M. Dibba  
Americas: Roberto Rodrigues  
Europe: Graham Melmoth  
Asia & Pacific: Mitsugu Horiuchi

Opinions expressed in this publication are not necessarily those of the leadership and management of the ICA.

Contents may be reprinted without permission, but citation of source is requested and three copies of the publication concerned should be sent to ICA Review, 15, route des Morillons, 1218 Grand-Saconnex, Geneva, Switzerland.

The length of articles submitted should be a maximum of 10 pages typed in double spacing. If possible, please submit both a hard copy and a disquette stating which word processing software was used on IBM compatible or Macintosh hardware.

*Front cover: Location of ICA head office, Geneva.*

# Review of International Co-operation

Vol. 86 No. 4/1993

Editor: Mary Treacy

Editorial Assistant: Laura Wilcox

---

## Contents

**Editorial**.....3

### Opening Ceremony

Greetings from Co-op Switzerland .....5

Greetings from the ILO .....7

### Governing Body Reports

Welcome by ICA President ..... 11

Report by ICA Vice-President for Africa ..... 15

Report by ICA Vice-President for the Americas ..... 18

Report by ICA Vice-President for Asia and the Pacific ..... 21

Report by ICA Vice-President for Europe ..... 23

### Activity Reports

Director-General's Report to the General Assembly ..... 26

Report from ROAP ..... 30

Report from ROWA ..... 32

Report from ROECSA ..... 40

ICA Development Forum by Momodou Dibba ..... 44

The Environment and Sustainable Development by Raija Itkonen ..... 46

Introduction to ICA Policy on Women in Co-operative  
Development by Jan-Eirik Imbsen ..... 48

## Case Studies

ICA Director-General's Introduction to Case Studies .....	53
EXIMCOOP - a Co-op Trading Company by R. Rodrigues .....	54
Restructuring of JA Agricultural Co-operatives by Fumiaki Aruga .....	57
New Forms of Finance for Agricultural Co-operatives by Jacques Picard .....	61
The Co-operative Bank's Ethical Stance by Terry Thomas .....	71
Innovation in Economic Development and Job Creation by Claude Béland .....	76
The Co-operative Bank of Kenya by E. Mureithi .....	85
Toward and Improved Financial System in Latin America by Ramiro Valderrama .....	95
The Strategy of Co-op Norway by Steinar Sivertsen .....	99
Member Participation - Past Experience and Future Development by Masayuki Yamagishi .....	102
The Development of the Hungarian Consumer Co-ops by Pál Bartus .....	105
Strategic Management in Co-operative Retailing by Ole Dueholm .....	109
Privatisation of Public Housing in the New Länder by Thomas Schaefers .....	114
Co-op Travelcare - A Case Study of Co-operative Success by Michael Grindrod .....	117
Folksam and the Women's Market by Katarina Apelqvist .....	121
Creation of Jobs through Worker Co-operatives - the Italian Experience by Alberto Zevi .....	127
NTUC INCOME, Singapore - Strategies for Success by Hans Dahlberg .....	132
Will Watkins Celebrates 100 Years by Roy Garratt .....	139
<b>Book Reviews .....</b>	<b>143</b>

# Editorial

For many co-operators 1993 has been a difficult year. The recession and the political instability experienced by many nations has had an impact on our "Global Village" and has inevitably affected the Worldwide Co-operative Movement.



Each region of the world has its own particular challenges and the new ICA structure is designed to provide the fora for countries with similar problems to share their experiences, and for the ICA to tailor its responses more closely to specific regional needs.

In Africa, as in many other areas of the developing world, the problems of intense poverty and political instability have not been overcome. In this continent, the challenge is to help build genuine co-operatives at the grassroots level, to strengthen federations and to dissuade Governments from exercising too much control.

In America the main challenge is whether co-operatives have a role to play in North South integration. ICA offices in Costa Rica and Argentina are committed to supporting the Movement's participation in this process.

The Asia Pacific region has the most dynamic economy in the world today. Its co-operative movement is also flourishing and this is reflected in the ICA membership, with over 60% of our individual members coming from this continent. In Asia there is much reason for optimism, and co-operators everywhere can derive satisfaction from watching the progress of the movement in this part of the world.

The economic and social crisis which has plagued Europe in recent years has been exacerbated by the problems experienced by countries from the former Eastern Block in adapting to a single market and



the implications of the changing political situation. Co-operative movements all over Europe have been subject to tremendous pressures - in most cases economic, but in others also political.

In this environment of intense competition, co-operatives must seize the chance to demonstrate that they constitute a positive alternative. The challenge to the ICA has been to offer support to our members and, in some cases to intervene with Governments in order to convince them of the co-operative potential in helping to solve economic and social problems.

Even though this has been a challenging year, each region has its causes for celebration. The case studies presented to the ICA General Assembly in Geneva last September, and published in this review, give us the opportunity to share the positive experiences of our members and to analyse what successful co-operatives are doing differently, and why.

The first General Assembly under the ICA's new structure was generally considered a great success. The reports from the meeting will be published in two parts. The first, including the success stories, will appear in this issue. The specialised bodies' reports to the General Assembly and the report on the current review of Co-operative Principles will appear in issue No. 1/94 at the end of January 1994.

The ICA Director and his staff would like to take this opportunity to wish our membership and all our readers a very happy New Year and success in 1994.

*Mary Treacy*  
*Director of Communications*

# Greetings from Co-op Switzerland

by Markus Schelker\*

I am pleased and honoured to bring you greetings from the 1.3 million members of Switzerland's co-op societies and their umbrella organisation, Co-op Switzerland. I am doing so on behalf of its President, Herr Rolf Leuenberger who unfortunately has to attend urgent business elsewhere.

This is your first General Assembly after adopting strategic decisions in Tokyo (1992) which have given the ICA a new, flexible organizational structure geared to present needs. It gives us particular pleasure that it is held in Switzerland, a country with a co-operative tradition that goes back to its inception 700 years ago. Co-operative ideas and principles have played an important role in shaping our political and economic structures, and it is gratifying to look back on the history of Switzerland's co-op societies which began in the mid-19th century. There are few highly industrialised countries where almost 30% of the retail turnover, and over 50% of food sales are handled by co-ops.

Of this we are proud, but we must never take that position for granted in



the day-to-day competition for customers and members alike.

It is one of Switzerland's special features that the two leading retail trade organisations, Coop and Migros, are co-operatives and in fierce competition at the same time. We see this as a positive challenge which makes it imperative on both to improve services all the time, gear their ranges to constantly changing customer needs and watch costs closely. That can only benefit the customer. With 175,000 unemployed and a retail turnover that is going down in real terms, the competitive climate has become rugged in Switzerland. In these difficult circumstances, the Coop group has managed to increase its market share and secure the cash flow needed to make us viable

\* Mr Schelker is Deputy Director of Co-op Switzerland, Basle.



*Entrance area of Co-op Super Centre "Novaseta" in Arbon.*

also in future - 4.4 % of the group turnover of 10.7 billion Swiss francs in 1992.

As a global organisation, the ICA has to meet the most different requirements from its member organisations. While co-ops in the highly industrialized countries are trying to retain their share of a highly competitive and sometimes stagnating market, the enormous challenge facing them, for example in Eastern Europe, is to organize goods supplies in terms of a market economy, and in the Third World countries they spearhead the battle against hunger and poverty. These are truly diverse needs to be fulfilled under local conditions using the appropriate strategies.

On a global scale, the co-operative principle of helping others to help themselves has certainly become much more important over the last few years. One of the central tasks in countries where social transformation is on the agenda is to encourage people not just to suffer but to shape their destinies using their own intellectual resources.

The ICA brings together members from different continents, cultures and societies who speak different languages and think along different lines.

The desire that unites them is to carry on a dialogue, build economic and human ties and implement concrete projects such as the network for Eastern Europe, and a number of programmes for Africa, Asia and Latin America.

Now as before, the ICA is an eminent forum for the worldwide co-operative movement. We therefore hope that this General Assembly again realizes the responsibility it shares for mankind and fulfills the tasks it is given in this spirit. Best wishes from Co-op and its members in Switzerland for the success of your General Assembly in Geneva, and for results which will guide you safely into the future.

# Greetings from the ILO

by Heribert Maier\*

The ICA and the ILO share a common dedication to social justice and economic progress for working men and women: to their freedom to form and manage their own associations in pursuit of their economic and social interests. Besides this common dedication, the ICA and the ILO share a common working relationship in furthering co-operative development through the International Committee for the Promotion and Advancement of Co-operatives (COPAC). Since the ILO's foundation in 1919, the ICA has enjoyed the privilege of special observer status in the work and meetings of the ILO, and has been a strong advocate of co-operative activities in the work of our Organisation.

The establishment of the ILO was the result of its founding member States' conviction that the well-being of working people depends upon adequate social protection, together with adequate economic opportunity. Experience has shown that such economic opportunity can be substantially enhanced through mutual self-help organisations and common working methods. This is the concept which



lies at the heart of the co-operative movement and explains why the co-operative service of the ILO is as old as the Organisation itself. This service of the ILO and the worldwide co-operative movement are in the vanguard in pursuing the priorities of today, as determined by the Organisation's 167 member States, furthering the advance of democracy and the fight against poverty, and promoting the protection and well-being of working people. These will be the main themes for our programme in the next two years.

The co-operative activities of the ILO have evolved over the decades to meet the changing needs of member States and their co-operative movements. These activities include the exchange and diffusion of information on co-operative subjects and developments

---

\* Mr Maier is Deputy Director-General of the International Labour Office in Geneva.

in developing and industrialised countries, the research and publication of technical studies, inter-regional and regional meetings of experts on co-operatives, advisory and consultancy services to co-operative movements and departments on human resources development, co-operative legislation and structure and, most importantly, technical co-operation programmes providing experts and training services.

The co-operative activities programme, and especially the technical co-operation of the ILO, is guided by a Recommendation adopted by the ILO member States in 1966: Recommendation No. 127 on The Role of Co-operatives in the Social and Economic Development of Developing Countries. This Recommendation contains a definition of a co-operative which was clearly inspired by the traditional values and basic principles as enshrined in the thoughts of Robert Owen, the Rochdale Pioneers and the ICA: namely that a co-operative 'is 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 their members actively participate.'

The Recommendation provides guidelines on issues of great relevance to this General Assembly and to the ICA Development Forum which has just taken place. I refer to human resources development, financial accountability

and technical co-operation. Earlier this year, an International Meeting of Experts on Co-operatives was convened by the ILO to review the role of the Recommendation in the promotion and development of co-operatives. The experts concluded that the Recommendation had fulfilled its purpose well over the years, but that the time had now come to revise and extend its coverage to industrialised as well as developing countries, to entrust less responsibilities to Governments for supervision and services and more to the movements themselves and to reinstate the basic principles of open membership and democratic control.

I also wish to emphasise the work carried out within the framework of the ICA to examine and update the basic values of co-operation. This work was frequently cited by ILO experts, who concluded that the work of the ICA should be reflected in the revision of the Recommendation.

Another issue of common concern to members of the ICA and of the ILO is the availability of full, freely-chosen and productive employment. World attention has long since been drawn to the persistent high levels of un- and under-employment. Despite substantial domestic and external investment, and assistance, few countries have been able to turn the corner. Wage and salary employment in the formal sector provides only a fraction of new jobs. Now this phenomenon has also shown its face in the industrialised countries and Central and Eastern Europe. The promotion of private small and medium-sized enterprises is con-

sidered by the governing bodies of the ILO to be an important instrument in generating employment. We do consider such enterprises to be restricted to individual private ownership; they can also be co-operatively owned and managed. Indeed, the member States of the ILO, as represented by the Organisation's tripartite structure: Governments, employers' and workers' organisations, have increasingly underlined the need for alternative private enterprise structures, and especially the 'co-operative option': workers' or producers' co-operatives. Each year, the member States of the ILO, Governments, employers and workers meet at the International Labour Conference in Geneva. In 1989, a Resolution was adopted on the promotion of rural employment and the role of co-operatives was clearly referred to; in 1990, the Conference adopted a resolution on the promotion of self-employment, and again reference was made to the co-operative option.

At the International Labour Conference in June 1993 there was overwhelming endorsement of the co-operative approach in the promotion of small and medium-scale business enterprises. The ILO, in its programme of work, is responding with renewed force to these references. The ILO Director-General, Mr. Michel Hansenne, has established a Department for Enterprise and Co-operative Development. This is concerned with the promotion of private and co-operative business enterprises to support today's trend towards privatisation and the promotion of self-employment through small and medium-sized en-

terprises. Through this department's programme of activities, inter-regional and regional meetings were recently held in Denmark and the Ukraine to assist policymakers from industrialised countries, developing countries and economies in transition to highlight the role of the co-operative approach in local economic development, privatisation and the promotion of small and medium-sized enterprises. In addition, there are research and technical co-operation activities which back this effort.

A consideration of co-operation cannot, and should not, be restricted to the structure of business enterprises. As the founders of the ICA and the ILO well knew, economic progress cannot proceed without improving the social conditions and the quality of life of working people. This concern with the human dimension of the working world was reconfirmed nearly fifty years ago in 1944, in a world torn by war and human suffering where, in Philadelphia, USA, the delegates at the International Labour Conference adopted a declaration which affirmed that labour was not a commodity and working people have undeniable rights to improve their human and professional capacities and qualities. The ILO, and likewise the ICA, has long since stressed the importance of human resources development in fostering the basic values of co-operation and in ensuring the democratic control and economic viability of co-operative societies. The subject was examined during the recent International Meeting of Experts on Co-operatives and a call was made upon the co-operative



*At the ILO Conference in June 1993, there was overwhelming endorsement of the co-operative approach in the promotion of small and medium-scale business enterprises.*

movements to take a larger responsibility for implementing membership and management training, especially in developing countries. Indeed, there are already helpful tools at hand such as the Co-operative Education Materials Advisory Service (CEMAS), developed under the auspices of the ICA, and MATCOM (Material and Techniques for Co-operative Management) developed in the ILO with the financial and moral support of the Scandinavian countries and their co-operative movements. There are many countries where the ILO is implementing technical co-operation projects for

the development of co-operatives. We are also working with other partners, such as ALCECOOP in Latin America, and we are endeavouring to support networking in Africa and Asia with the collaboration of the ICA field structure on the basis of our Director-General's policy of active partnership, which has established 14 multidisciplinary teams in all parts of the world.

Let me once more reiterate the ILO's dedication to co-operative activities, a dedication which has continued and grown over the 74 years of the Organisation's existence.

# Welcome by ICA President

---

Since we met at the memorable congress in Tokyo last year the efforts of the ICA have been dominated by the introduction of a new structure and the preparations for our centennial in 1995

Reports of these activities will be given by four nominated vice-presidents and the Director-General. My own views have already been presented in the annual report. What will follow here right now is about the future - and that is not so easy to foresee.

ICA consists of some 200 co-operative organisations in at least 10 different branches. They also differ in strength, size, political environment and culture and for most of them demand and profits are down, while money is short and expensive.

In this situation the ICA cannot provide expertise on all local problems of all members. Neither does it represent a strength to respond to needs with a HQ staff of nine full time and 3 part-timers and an annual dues income of less than CHF2 million. We form a network of which members can take advantage. The benefit of your membership is mainly to be found in contacts with colleagues.

I will use my report to you to give some examples of this from my nine years as the ICA President, - example of sectors, of continents, of old co-operatives



as well as new and small. I will talk about the challenge of the future.

Let me start with our agro-cooperatives.

I dare say that generally speaking everybody today understands and accepts that food is best produced by family farmers working together through a co-operative structure. They already dominate the global production of cash crops.

The fertile soil is a global asset and has to be used in an optimal way. No-where else do representatives elected by so many farmers meet as in ICA. My vision says that this fact should be the best basis for a long term farm policy on global agro production.

Such a policy is needed to avoid unnecessary distress among farmers. It is



needed to create understanding and support from consumers. It is necessary if you do not want to wait for political decision about the heads of rural population.

Let me next say a few words about the financial co-operatives.

Insurance and banking are the most trans-international of all co-operative sectors. This is a result of the character of the business but also of farsighted leadership. (An exception when it comes to the character is of course offered by the credit unions which are more closely connected with local life.)

In years to come I now expect the establishment of commercial umbrella organisations like the Asian Co-op Bank, The Allamerican Re-insurance Co-operative as well as Eurowide Insurance Co-operative with affiliated daughters in Africa.

I am not sure where credit unions may fit in but WOCCU has its own plans for a global commercial network.

Let me turn to housing next.

Decent shelter is a problem of money or a lack of it. The problem of a housing co-operative is also one of education and organising.

Great opportunities are evident in the newly industrialised countries in Asia as well as in countries where state property is being privatised. Our housing committee has rightly arranged seminars both in Latin America and Asia.

To start from scratch is often necessary but not easy. The pioneers of co-operative housing, wherever it exists and

has succeeded, always enjoyed the support of other national co-operatives.

In my vision all co-operators in every country should form special alliances to promote co-operative housing. It is the least trans-international oriented of all our sectors - but if housing co-operatives feel that the ICA can assist as a global promoter they should tell us now. I am sure we are ready.

When it then comes to our members from the consumer co-operatives we can all notice their fast expansion in the Pacific Rim, north of the Mediterranean and in some Latin American countries. Growth seems to be limited to their national economies.

In their traditional stronghold in northern Europe they have stagnated or even met with severe setbacks. Co-op Switzerland has offered the last exception so far, but a recovery could be on its way. Norway offers one example, Denmark another.

In my vision of the future this sector has to develop in two directions. Food distribution remains the major task because that is what all members need. Here the road to success is one of competitive prices, good quality and attractive service. This takes big units and internationalisation.

The non-food business on the other side tends to become transnational and most countries, at least in Europe, are too small to offer a satisfying market.

Democratic control based on a suitable decentralisation has to be looked for. Co-operatives which do not build their activities on active member participation will lose their character. They will

end up serving only the interests of the staff and gradually be lost into bankruptcy or stockmarket.

More could be said about the other sectors, but I will now mention some aspects on the continents focused in our new structure.

## **Africa**

There are more good co-operators than co-operatives in Africa. For decades progress has been poor. Good promises have been crushed.

The reasons are well known. Poverty and its consequences, political instability, government interference have contributed.

The problem is severe not only to the Africans. Though outside Africa donors understand that the continent needs support, there is a growing reluctance to believe in co-operative solutions.

An initiative to formulate and advocate a specific strategy for co-operative development in Africa is necessary. It has to come from African colleagues themselves. It has to be based on the truth of past experiences. It has to bring a message to us but also to the world community.

In my vision the regional assembly of Africa is well suited for such an initiative. Other members as well as many governments would be found supportive.

## **America**

The first all American ICA meeting brought a strong message. There were

the voices of a leadership with new continental attitudes. With increasing political stability the growth of co-operatives in Latin America has certainly started to move faster and faster. And from the North spoke friends.

If only the South could be a little more interested in business results and member satisfaction than internal fighting, if only the North could start from a more caring point - the business results would come easier for all in the next century.

## **Asia/Australia**

As we know from the Congress last year the Japanese movements are strong and successful. Some of us also learned at the Allasian meeting in Beijing this spring that the huge Chinese movement prepared itself for the growing, still limited market economy in their country. We also know that Indian co-operatives have made important contributions to a progressing national economy. And in the newly industrialised countries we follow with interest the achievements made.

The rest of Asia looks east, also Australia which has much to offer from similarities to the North. I believe this is fundamentally good because there is much co-operative strength in Asia - know-how as well as money.

What will happen in areas stricken by poverty, catastrophes and wars seems more and more an Asian responsibility in co-operative affairs.

And now a word about the Muslim dominated areas. Our contacts with these countries and their co-operatives

have been difficult in spite of mutual efforts. For that reason the outgoing executive has decided to recommend that the new Board accept an invitation to hold their first meeting in Egypt. The situation of co-operatives in Muslim countries can form an essential part of its agenda.

## Europe

Europeans have suddenly found that they have less to be proud of than they thought.

The enormous socioeconomic experiment in Eastern and Central Europe proved to be a disaster. At present its most shameful consequences are perhaps to be found in former Yugoslavia with its ethnic madness.

At the same time West Europe has entered a depressing type of economy. The welfare systems are being dismantled step by step at a time when they are needed perhaps more than ever. Unemployment, the widening gap between rich and poor and immigration waves have again proved how fragile the balance between the good life and the evil life is.

Intolerance, racism, violence, insecurity have gained ground.

Co-operatives are in the midst of this European turmoil. We know that we have our first and only duty to our

members - not to their money, but to their needs as consumers or producers. And our business has to carry on while unsuccessful competitors can always sell out and move to places where profit is safer.

Europe does not differ from the rest of the ICA world.

Take our farmers as producers and our consumers as retailers. Their interests around the pricetag are conflicting but their wishes for a good life are the same - peace, safe environment, human rights are dear to all co-operators.

Our strength stems from a will to work together - with respect for our neighbours.

I have tried to present a co-operative panorama. If you found it too long I can only say it could have been much longer and it had a purpose. It was indirectly a description of the ICA and of our responsibilities.

What I want to make clear is that each one of you - each one of us - has a personal responsibility.

The change of structure and emphasis on a sectorial collaboration which involves all members is a strong effort to decentralise, and to make our international collaboration not an annual event but a part of our daily, ordinary work. There is a job for everyone of us.

# Report by ICA Vice-President for Africa

by Momodou M. Dibba\*

The ICA Regional Consultation for Africa took place in Abidjan, Republic of Côte d'Ivoire, the seat of the Regional Office for West Africa, on 25 May 1993. Representatives from the two regional council executive committees, i.e. East, Central and Southern Africa and the West Africa region, were in attendance.

The East, Central and Southern Africa delegation was led by the Chairman of the Regional Council, Bernard Wolimba MP, from Uganda. Other members of the committee came from Zambia, Swaziland, Botswana, Kenya and Zimbabwe. Egypt and Morocco were not represented due to urgent official engagements in the delegates' home countries. The Regional Director, Mr. Vincent Lubasi, and senior staff members accompanied the visiting delegation.

The host West Africa delegation was led by myself, its current Chairman, and other members of the Executive Committee from Côte d'Ivoire, Cape Verde, Mali, Niger, Senegal, Burkina Faso, Guinea Conakry and Ghana. The Regional Director, Mr Kibora Ada Souleymane, was also in attendance.



The regional consultation was also attended by Mr Lars Marcus, the ICA President; Mr Bruce Thordarson, its Director General; Mr Jan-Eirik Imbsen, the ICA HRD Director; Mr Yves Régis, President of CICOPA; and Mr Kjell Eirik Nordlie, the Desk Officer of Norcoop of the Royal Norwegian Society for Rural Development.

The atmosphere of the consultation meeting was very congenial, largely thanks to the excellent preparatory work of the two Regional Directors, Messrs Kibora and Lubasi, and the deliberations were centred on organisational matters, the description of the new ICA structure, analysis of the rules and procedures for the ICA Regional Assembly in 1994, and the nomination of a candidate for the position of ICA Vice-President for Africa.

---

\* Mr Dibba is ICA Vice-President for Africa and Regional Chairman for West Africa.

After a thought-provoking introductory statement from the ICA President, the ICA Director-General gave an in-depth presentation on organisational matters, description of the new ICA structure and the Rules and Procedures for the Regional Assembly. Mr Thordarson also touched on the new decentralised structure for the Alliance, the governing bodies, vis-à-vis the central, sectoral and technical structures and the basic objective of the Regional Assembly to promote collaboration between ICA member organisations in the Africa region and to provide a forum for the discussion of regional, as well as global, issues regarding co-operatives.

The meeting supported the view that decentralisation is one of the best means of promoting participation in the new ICA structure. Its benefits are that the ICA Regional Offices in Africa can become much closer to their member organisations, be more responsive to national needs, and can make better use of the available resources.

An important element recognised by the meeting is the opportunity to cut costs as a result of the decentralisation process. Another favoured element is the decentralised investment strategies that can increase economic participation, and the two regional offices have a lot to learn and share for the benefit of the member organisations.

According to the delegates, decentralisation widens their choices, and participation enables them to gain access to a much broader range of opportunities.

The members of the new Regional Assembly for Africa are determined, more than ever before, to encourage decentralisation and participation when the first Regional Assembly takes place in Nairobi during the second half of 1994.

It was agreed during the consultation that the model Rules and Procedures be further reviewed prior to adoption at the next Regional Assembly.

Regarding the position of Vice-President for Africa, the founding meeting unanimously agreed on a nominee, whose name will be placed before the Regional Assembly for consideration and approval.

In view of the size and complexity of the continent of Africa, it was further agreed that a substitute Vice-President from the other sub-region be nominated, and it was proposed that the Vice-Presidential position should alternate between regions after each four-year term.

It was further proposed that our voting procedure at the Regional Assembly meetings be limited to one vote per country and one per international member organisation having fulfilled its statutory obligations in the ICA.

It was agreed that the two existing Regional Councils continue to exist to serve the needs of their respective member organisations.

Among other things, the Regional Assembly for Africa to be convened in 1994 shall discuss the implementation of:



*Regional Consultation Meeting in Abidjan, May 1993 - from left to right: Jan-Eirik Imbsen, Ada Souleymane Kibora and Momodou Dibba.*

- the Regional Assembly work programme;
- the ICA development strategy and action programme related to the ICA policies on HRD and on women in co-operative development;
- the establishment of a sectoral committee to compliment the work of the ICA specialised bodies;
- economic reform programmes and the extension of institutional capacities;
- strategic planning, the environment and exchange programmes; and
- other policy matters, as priority needs expressed by member organisations.

The regional consultation meeting in Abidjan augurs very well for the future work of ICA in Africa, and shows that there are now grounds for considerable optimism.

# Report by ICA Vice-President for the Americas

by Roberto Rodrigues\*

When we talk about the Americas we are talking about a whole continent stretching from Canada to Argentina, from the South Pole to the North Pole, which also includes the Caribbean. We are talking about 29 countries, with a population of 700 million inhabitants.

But this enormous territory, the discovery of which completed the orb of the world, is also full of contrasts. For example we have countries as small as Barbados with 430 square kilometres, compared with Canada which has more than 9 million square kilometres (i.e. 20,930 times larger than Barbados). We have countries like Surinam with 370,000 inhabitants in comparison with the United States with almost 250 million. We have Haiti with an annual per capita income of 962 dollars in comparison with 21,000 dollars in the United States. And despite all its economic problems, the continent, and in particular the eastern part of Latin America, is a net exporter of capital.

There are countries in which up to 78% of their exports go only to pay the interest on foreign debt.



Nevertheless this immense region also has something in common - there are co-operatives in every country. These may not be members of the ICA, but there are still co-operatives in every country. The International Co-operative Alliance has a total of 35 member organisations, many of which have joined in the last three or four years.

It is important to point out that a special feature of our region is that co-operative organisations for regional integration have been in existence for many years. It should not be forgotten that as an institution the ICA is very much a newcomer to the American continent (ROCAC 90, POBA 91, RUGA 93). The regional organisations are examples of integration at continental or subregional level and have played a critical part in the co-opera-

---

\* Mr Rodrigues is ICA Vice-President and Regional Chairman for the Americas.

tive development of the region. These include the OCA, COLAC, COLACOT, CCC-CA.

With this brief introduction we would like to establish quickly, from the point of view of the Americas as a region, what factors govern the work of the ICA, and what paths we feel it can follow effectively, as well as the thematic areas which it will have to concentrate on in the next few years.

This information is the product of the consultation which we began at the Tokyo congress during a special meeting of the organisations of the American continent belonging to the ICA, and which took formal shape at the consultation meeting in Mexico last December, which was attended by ICA President, Lars Marcus, and which continued in a series of information exchanges with the management of co-operatives at national and regional level.

We feel that the factors governing the work of the ICA in the Americas region is primarily the north-south relationship which has marked the development of the entire continent, through an extensive history of meetings and encounters. What it is important to mention now is that given the conditions set by co-operative life we have achieved a north-south link which encourages the aims of co-operative development. A second factor which must be considered is the size of the continent, which makes it essential that we consider work at a subregional level and the special features of each subregion. The third factor is recog-

nising that the Co-operative Alliance is a newcomer to the region, having been present in the American continent as an institution for three years, and must therefore find a niche within the wide spectrum of co-operative development, taking into account the work carried out by the existing regional organisations. Finally, it is a regrettable fact, although it has been commented on here in different places, and we have recognised it for some years, that the co-operative movements in general are facing a crisis due to the drastic changes in their economic, political and social environments. These four factors are something which we will have to consider in the coming decade.

This means that the structures of the network, i.e. the regional assembly, the regional offices and the specialised bodies, will have to be maximised politically, technically and sectorally.

In all the work which is to be done it should be recognised that co-operative integration takes place through economic integration and that co-operative development implies the commercial development of our organisations. By this I mean to say that we cannot generate models which are dependent on government structures or other sources in the work of the ICA without generating a capacity within the movement to develop itself in a sustainable fashion.

This is what the co-operatives in the continent are saying, and this brings us to the fact that the work of the ICA in the continent should be based on



three guidelines, the first concerning all things relating to co-operative principles and values and the need to disseminate, support and interpret these and adapt them to our own reality. The second concerns the need to adjust the commercial profile of co-operatives to the changes in the environment, carrying through all the reconversion processes which are necessary to ensure competitiveness in the environment surrounding them, and including those binding and technological factors which can be obtained from the ICA's own network.

The third fundamental factor is the promotion and development of trade as an essential means of achieving the consolidation of a concept of sustainable co-operative growth. Without an aggressive strategy for co-operative re-

conversion to gain a foothold in the markets, co-operatives will have few possibilities for continuing to serve their members in their own societies.

With the Tokyo Agreements and the new structure, it will be possible to do this if we do it jointly with the regional co-operative organisations, with direct action by ICA staff in the regions, with the active involvement of all the organisations which are members of the ICA in America. Additionally, we are now encouraging action by various specialised committees.

My co-operative friends, we are succeeding in the Americas region and we feel optimistic.

The next regional assembly will take place in Brazil in November 1994.

# Report by ICA Vice-President for Asia and the Pacific

by Mitsugu Horiuchi\*

The Asia and Pacific Region used to consist of 53 member organisations from 18 countries, with Iran as its furthest flung member country. Following the restructuring, we have new member countries: Iraq, Israel, Jordan, Kazakhstan, Kuwait, Turkmenistan and Uzbekistan.

As a result, our Region has become an extensive one ranging from Fiji, which is on the 180th degree of East-longitude, to Israel in the Middle East on the 35th degree. The Region now represents 63 organisations from 25 countries which embrace, it is estimated, some 450 million individual members.

Under the new structure, a regional consultation was held on 21 - 22 April, 1993 at Beijing, China with some 80 delegates and observers from 16 countries attending. The meeting was also attended by President Marcus and Mr. Thordarson, the Director General. We had a very good discussion under the able chairmanship of Mr. Yang Deshou, of the All-China Federation of Supply and Marketing Co-operatives, elected unanimously to the chair.

---

\* Mr Horiuchi is Senior Advisor of Ja-Zenchu and ICA Vice-President for Asia and the Pacific Region.



The three main items on the agenda were:

1. The draft rules of the Regional Assembly
2. Future status of the Regional Council and
3. Our regional nomination for ICA Vice-President.

The meeting adopted the Regional Assembly Rules, broadly along the lines suggested by ICA Headquarters, but with some amendments. In this connection, it was agreed that the first meeting of the Assembly would be held in September/October, 1994. On behalf of his organisation, Mr. Vishwanathan, President of the National Co-operative Union of India, kindly offered to host the meeting. It was also decided that, in future, a Reg-

istration Fee of US\$ 100 would be charged to members and observers attending the Regional Assembly meetings so that these would be self-financing.

As to the future status of the Regional Council, taking account that the Regional Assembly is newly formed, it was agreed that the Council, so far represented by two delegates from each country, would be replaced by an Executive Council consisting of one delegate from each of the region's 25 countries.

For the regional nomination to ICA Vice-president, I was greatly honoured to assume the role.

The regional consultation was fortunate to welcome Professor Ian MacPherson, coordinator of the project on Co-operative Principles, who made an introductory presentation on the subject.

He took note of the Asia and Pacific Region's diversity in terms of people, culture and co-operatives, and of the dynamic growth within it, and expressed his hope that we would actively participate in the review of Principles and formation of the Charter for the 21st century.

Professor MacPherson challenged our region with five issues including:

1. How we in our region, with a large rural population, will cope with rural domination by multi-nationals, and how co-operatives will take

initiatives in ensuring adequate food production during the next century, as this will be one of the most pressing problems.

2. How the co-operatives will relate themselves to the creation of job opportunities, and of better living conditions in heavily populated cities.
3. What role co-operatives have in harmonising economic growth and environmental problems.
4. How the relationship between co-operatives and the Government should be considered in the context of developing countries.

Incidentally, we, in the Asia and Pacific Region, have had a joint Co-operative Ministers' and Top Leaders' Conference to discuss this matter, and we will continue to examine the subject more deeply in future.

5. Finally, we were challenged with the question of how to strengthen co-operation between co-operatives; our host chairman, Mr. Yang Deshou of China also stressed the urgency of promoting economic collaboration between co-operatives.

Under the new ICA structure, we, in the Asia and Pacific Region, will certainly make efforts to offer useful contributions to the discussion on Principles and Prospects, and hope to be able to contribute to the world co-operative movement of the 21st century following the paths along which the forthcoming Charter will guide us.

# Report by ICA Vice-President for Europe

by Graham Melmoth\*

Since the ICA Congress in Tokyo good progress has been made in laying down the foundations for a European Region of the ICA. Our situation differs from that of other Regions in that our task has been to find the space to build our structure amongst the many cathedrals of pan-European co-operation which have been well-established for many decades, not least in the heartland of the EC: Brussels.

Thus, when 125 representatives of ICA members in Europe met there on 5 May 1993, none of us was sure that we could identify a consensus on structures, on a work programme or even on a Vice-Presidential nominee. Apart from our ICA membership, those present also represented other interests such as the Comité de Co-ordination des Associations de Coopératives de la Communauté Européenne (CCACC); national intersectoral federations such as CONFECO-OPERATIVE of Italy and FEBECOOP of Belgium; members in Eastern Europe engaged in the Network, not least members from the CIS, and also mature consumer co-operative movements



from, for example, Scandinavia and my own country, the UK. It was, I think, a tribute to the willingness of the European membership to co-operate that, as I said at the time, we avoided World War III!

There was general recognition of the all-important need to be flexible, particularly at the beginning, and of the fact that it was more important to define a role than to create rigid structures. It followed likewise that, in the beginning, ICA Europe would be serviced from Head Office in Geneva and would not open a separate regional headquarters in Brussels or elsewhere in Europe. We do need to remember that Europe's boundaries extend very much further than the frontiers of the twelve EC member states. However, we all recognise that what may make

---

\* Mr Melmoth is Secretary of the Co-operative Wholesale Society. He is also ICA Vice-President and Regional Chairman for Europe.

sense today for ICA Europe in embryo may be different in two or three years' time, when a place in Brussels alongside the CCACC membership may make sense. Such matters, however, should be the democratic decisions of a European Regional Assembly or elected European Advisory Committee in the future.

On 2 June, 1993, Arsenio Invernizzi (of the ICA Secretariat) and I met with the Secretaries General of the nine member-organisations of the CCACC and also consulted with the Secretary-General of FEBECOOP in Belgium. The objective of the meeting was to prepare the way for a more broadly-based meeting to include ICA Board members and East-European members and the intersectoral federations. This meeting would:

1. draw up the basis of an initial work programme for the region;
2. agree upon the structure of an advisory committee; and
3. set the time and place for the Regional Assembly. The Secretaries-General were all positive, supportive and helpful, although not necessarily unanimous.

This third consultative meeting was held on 8 July 1993, under my chairmanship, in the office of COGECA in Brussels. The decisions of that meeting, briefly, were as follows:

- a) To establish a European Advisory Committee to prepare for the first Regional Assembly and to oversee the work programme. The com-

mittee was to have around 15 members, consisting of:

- i Representatives of the Sector Associations in membership of the CCACC;
  - ii ICA Board members from Europe;
  - iii Representatives from the ECEC Network and from the CIS; and
  - iv Representatives from the Italian and Belgian intersectoral organisations.
- b) To set up two working groups to report, on an interim basis, to the 1994 Regional Assembly and, definitively, to the 1995 Centennial Congress in Manchester. The first group will consider external concerns, such as promoting the co-operative image and systems within Europe, and other problems lending themselves to a co-operative solution. The second group will devote itself to internal concerns, the chief of which will be the development of co-operative principles and values and the charter. But, in addition, this group will consider the East/West European dialogue and also corporate governance.
  - c) That the first Regional Assembly will take place, with the kind permission of the Co-operative movement of the Czech Republic, in Prague on 27 and October 1994.
  - d) That the ICA would have a presence at, and I would address, the 4th European Conference on the Social Economy in Brussels from 8 - 10 November 1993. It was also intended that the first meeting of the European Advisory Committee of the ICA Region should take place at this time.

In conclusion, I can say that, for a region which wishes to keep its structure light and tight, there is much to be done. No member in Europe need feel that its contribution to developing the ICA's role in Europe would be unwelcome. We have established the framework. The Advisory Committee and the Working Groups now need to be

set up and get to work so that, in Prague in October 1994, we may collectively look at how successfully we have begun the beginning, how effective and focused is the work programme, and what changes we should democratically make to ensure that we are properly reflecting the needs of ICA members in Europe as a whole.



*Lars Marcus consults with three of the four ICA Vice-Presidents.*

# Director-General's Report to the General Assembly

As members will recall from last year's discussions in Tokyo, the new ICA structure is composed of three basic parts—the Governing Bodies or control structure; the Specialised Bodies or sectoral structure; and the head office and regional offices, or the technical structure.

This morning we heard about the work of the Governing Bodies. On Friday morning the Specialised Bodies will report. This afternoon it is the turn of the technical side of the organisation. As more and more of the work of ICA is being done on a decentralised basis, I have also asked our Regional Directors to participate in this presentation. Finally, there will be more detailed reports about three special activities which have occurred this year—yesterday's Development Forum, the May Environment Conference, and the implementation of the ICA's new gender policy.

When the ICA Congress was held last year in Tokyo, the ICA had members from 82 countries. Today that number stands at 103. This change results in part from the creation of new countries, as could be expected, but also from a harmonisation of membership



between the overall ICA structure and its regional offices. Just yesterday, for example, the ICA Board admitted into membership six African countries which had previously been collaborating only with the regional offices, plus one new member country from Latin America, two from Asia, and two from the former USSR. While some important gaps in our membership remain, I think one can safely say that the ICA is becoming a more truly universal organisation than in the past.

However, as our numbers grow, it becomes equally apparent that a small office of 12 staff people in Geneva cannot possibly meet anywhere near all the needs of this diverse membership. The only realistic solution is decentralisation—both sectoral and geographic—so that more resources can

be found and used. One example is the ICA development programme, on which is spent approximately 25 per cent of the ICA subscription income. But from this relatively small base, it is possible to provide a regional structure that attracts funding support from development agencies and member organisations, and thereby provides more services to ICA members through the efforts of some additional 50 staff members in the regions. You will hear more about this work from the Regional Directors in a few minutes.

Similarly, the Specialised Bodies are in almost all cases strengthening their own structures and capacities, and also making an important contribution to overall ICA objectives. For example, most are participating actively in the review of the co-operative principles and in researching specific issues, such as capitalisation of co-operatives. Many are also working closely with the Regional Offices in development activities. Tomorrow's agenda of case studies has been prepared largely through their suggestions and advice. Therefore, even if the ICA cannot provide secretarial services for them, I think there are encouraging signs that this policy-level collaboration is proving to be mutually very beneficial. The fact that 12 of the 14 Specialised Bodies are holding various meetings here in Geneva this week demonstrates, I believe, the utility of this continued close contact.

The ICA head office, therefore, continues to place its own emphasis in three main areas—policy, information, and development coordination.

During the last year there have been several positive developments on the policy front. In Eastern and Central Europe, for example, the ICA's representations have been credited with influencing government policy in a number of countries—most recently in Poland, where President Walesa declined to sign a co-operative law that would have actually increased governmental control over the co-operative movement. In Asia and Africa there is no doubt that the efforts of the regional offices have made a significant contribution to improvements in co-operative legislation in several countries.

The UN system is also playing an increasingly helpful role towards co-operatives. The positive 1992 report of the Secretary-General and the resolution of the General Assembly have resulted in extensive policy guidelines being sent from the UN to every one of its member national governments. In at least some cases there will no doubt be a beneficial effect on governments' understanding of co-operatives. And we naturally hope that the decision to establish an official UN Day of Co-operatives in 1995 can be used to generate helpful publicity for ICA members.

The role which co-operatives can play in major issues of the day such as environment and sustainable development is also being increasingly recognised. ICA has been asked to act in an advisory capacity to the Society for International Development, an internationally-respected policy body, and to the 1994 Global Forum in Manchester,



which will continue the public sensitisation work begun in 1992 in Rio de Janeiro. Our objective in all these efforts is, naturally, to demonstrate how co-operatives are a business with a social conscience. Raija Itkonen will have more to say about this important issue later this afternoon.

Even the World Bank, which for years has been unwilling to develop a specific policy for co-operatives, is showing signs of change. A recent working paper produced by its African section—with considerable input from ICA and other co-operative organisations—could be the basis for a better understanding of co-operative development throughout the Bank. Similar efforts are underway within the Bank's division for Eastern and Central Europe—this time led by the efforts of the ECEC Network, with support from ICA.

It is clear that one of the priorities for the future will be to make better use of this kind of mutual effort by like-minded bodies. During the last year the ICA has developed closer links than ever before with such organisations as the International Federation of Agricultural Producers, the International Raiffeisen Union, and the members of the Committee of Co-operative Associations of the European Community. During a time when the concept of co-operative activity seems somewhat out of fashion in many parts of the world, it is more necessary than ever for all the advocates of co-operative enterprise to work together. One immediate benefit will be savings in

time and effort for the members of all these organisations. The ICA Specialised Bodies also have a key role to play in this search for more joint activity.

When one thinks of policy one naturally thinks also of research. Here the ICA is concentrating its own global efforts on one supremely important topic—the review of the co-operative principles, about which we will hear more on Friday morning from Ian MacPherson. Much important research work is also done by other bodies, such as CIRIEC, with which ICA is establishing closer relations as part of its new European work programme. At the regional level, practical research activities are part of the activities of many of the ICA regional offices.

Along with policy and development, information is the third major area of ICA activity. The current effort to collect and diffuse information about ICA members—through the News, Review, Directory, special reports, statistics, data bank, and regional publications—constitutes a major effort which requires a large amount of staff time. As indicated in the Annual Report, efforts are underway to determine whether collaboration with other organisations and news agencies might enable ICA to spread the co-operative message more extensively beyond its own membership than is now possible. The work of the European Region, and the plans for the ICA Centennial, can both be expected to contribute towards this important but difficult objective.

Regarding the ICA's plans for 1995, more detailed information will be pro-

vided on Friday, when Graham Melmoth reports on the work of the British organising committee and Mary Treacy distributes the ICA's first centennial news letter. In short, a variety of related seminars, publications, promotional materials, and special events are being planned to focus member and public attention on the co-operative movement. The ultimate success of the year, however, will depend on the extent to which member organisations decide to, and are able to, use it for their own benefit.

In conclusion, Mr. Chairman, I would like to pay tribute not only to the ICA staff at head office and regional offices (as I have already done in the Annual Report) but also to the members of the Board, and particularly those whose terms are ending with this meeting. All six have made a particularly important contribution to ICA during these recent years, and I would like them to know how much their efforts have been appreciated by me and by other staff members.



*Good entente leads to positive co-operative results!*

# Report from ROAP

---

by G. K. Sharma\*

The ICA Regional Office for Asia and the Pacific (ROAP) was established in 1960. After restructuring it now represents 62 national co-operative organisations from 25 countries in the region, and one regional organisation. There are more than 450 million individual members in the region: about 63% of the ICA's total individual membership. The region includes industrialised, rapidly-growing and also least-developed countries.

The responsibilities and functions of ROAP include co-ordination of co-operative development, promotion of exchanges of personnel and experiences; project identification, formulation, monitoring and evaluation; assisting with the establishment and strengthening of national co-operative organisations; and the organisation of seminars, conferences, meetings etc. on specific subjects. In addition to its Regional Assembly and Executive Council consisting of one delegate from each country, it has six Specialised Committees, one for each development project, consisting of professionals from member organisations who guide and support the ROAP and its development activities.



Keeping in view the ICA Policy for Co-operative Development, the development objectives of ROAP are:

- i the building of democratic, economically viable co-operative organisations which are capable of serving their members efficiently;
- ii influencing co-operative laws and Governments' co-operative policies to promote genuine co-operative development based on Co-operative Principles;
- iii developing a well-coordinated, integrated co-operative structure in order to enhance the economic capacity of the co-operative movement;
- iv promoting regional collaboration for the exchange of technical infor-

---

\* Mr Sharma is Regional Director for the ICA Office for Asia and the Pacific in New Delhi.

mation, know-how and innovations and to increase international co-operative trade; and

- v gender integration to ensure a more representative participation in management by co-operatives' users and beneficiaries.

These objectives are carried out through six development projects namely:

- the Development Co-ordination Unit,
- the Agricultural Co-operative Development Project,
- the Consumer Co-operative Development Project,
- the Human Resources Development Project,
- the Project for Strengthening the Management of Agricultural Co-operatives in Asia,
- Women's Participation in Co-operatives.

These projects are managed by a team of international experts. Recent additions to the team include Mr. Malte Jonsson from the Swedish Co-operative Centre (SCC), who takes over from Mr. Karl Fogelstrom, Mr. Robby Tulus from the Canadian Co-operative Association and Ms. Uma Mukherjee from the National Co-operative Union of India (NCUI).

The major development partners contributing to the above projects are the SCC; the Canadian Co-operative Association (CCA); and the Japanese Min-

istry of Agriculture, Fisheries and Forestry (MAFF), the Central Union of Agricultural Co-operatives (JAZENCHU) and Consumers Co-operative Union (JCCU). The JCCU is currently financing a Woman Officer and has also agreed to second a Woman Official from 1994. The above development partners provide about two-thirds of the ROAP's funding, member organisations provide the remaining third of the resources needed to implement its development activities.

One encouraging feature is that, in addition to financial support, member organisations are increasingly participating in and financially supporting workshops on subjects of regional interest. They meet the cost of hosting the workshops, including board and lodging, transport etc. Countries already participating in these programmes include Australia, China, India, Japan, South Korea and Singapore.

Another major achievement in the recent years as a result of the ICA's efforts has been in the changes in the co-operative laws of many Asian countries. Restrictive provisions have been removed and Governments increasingly recognise that co-operative self-management is best, Governments' role being that of watchdog rather than of controlling or managing agency.

Further areas where specific efforts are being initiated are the strengthening of Data Banks containing basic data on co-operatives in the region, co-operatives and environment, gender integration, the development of medical,

university and school co-operatives, and of artisans' and workers' co-operatives through CICOPA and the establishment of non-traditional co-operatives.

In brief, the future priority of the ROAP is to enhance the democratic base of the co-operative movement through

increased member participation, to improve the professional and technical competence of management, to strengthen healthy and constructive Government-movement relations and to enhance collaboration between co-operative organisations at different levels, in both formal and non-formal sectors.

---

## Report from ROWA

---

by Ada Souleymane Kibora\*

### The Situation in West Africa

The countries of West Africa are, like the rest of the continent, experiencing or suffering two great and unprecedented phenomena: the political and economic changes and deep crises that have been shaking West Africa for several years.

Politically speaking, the situation in West Africa is affected by the process of democracy. The western type of democracy is a new concept for Africa and it involves new kinds of behaviour for the man in the street and for political leaders. Open discussion, freedom



of expression and even the vote itself - all these require a culture and knowledge that is new. The existence of democratic institutions (political parties, parliaments) or legal structures (constitutions) does not necessarily mean that there is "Democracy"; legal texts and institutions are, as the saying

---

\* Mr Kibora is Regional Director for the ICA Office for West Africa, in Abidjan, Côte d'Ivoire.

goes, only worth the people appointed to govern them or to enforce them.

It is at this level that training, education and learning, be it civic or democratic, is most important. Co-operatives, with their co-operative values and principles, are invaluable schools for the learning and practice of democracy.

Political change is directly related to sociological conditions, to pre- and post-independence history, to the personalities of leading political figures and to what is at stake in each country. Examples of this include Cape Verde, Benin, Senegal, Togo, Ghana and Nigeria.

Such political change gives co-operatives more freedom and autonomy as they are no longer curbed by single parties or governments. There is some concern however, that, on the one hand, the conquest and preservation of political power will have exclusive priority over development targets and, on the other hand, that co-operatives and other self-promoting associations will not be considered worthy of investment by the various political forces in operation. These organisations are, at present, the only bodies which are capable of stimulating, representing and defending the interests of the peasant worker. They are dormant political forces of considerable strength.

The situation in West Africa is also characterised by the implementation of economic stimulation, privatisation and structural adjustment programmes. These programmes include the following:

- a reduction in operating costs and wages paid by the State so that budget deficits can be reduced. In several countries, the number of state employees with co-operatives has been reduced, and there are now none at all in some countries such as Senegal. These state employees had been responsible for the training, education and technical expertise of co-operatives. Generally speaking, no measures have been envisaged to help co-operatives take on these new functions themselves;
- a reduction in social investment, resulting in some co-operatives and groups investing a part of their income in building schools and health centres rather than strengthening their own financial positions;
- an upturn in receipts, or an increase in fiscal income and taxes. Such fiscal measures result in higher consumer prices and higher factors of production making co-operatives less competitive in both domestic and international markets;
- repeated devaluation of non-convertible currency which results in less stable saving and which weakens credit and savings co-operatives;
- the withdrawal of the State from manufacturing sectors and the privatisation of national economies. In some countries, State withdrawal and privatisation have led to "laissez faire" situations and unfair competition which create an environment unfavourable to the development of co-operatives.

All these changes can be seen as both causes and effects of a deep crisis within the economic, human, legal, political and social order.

Co-operatives, budding co-operatives and village groups are also affected by this crisis in terms of their dual roles as economic and social organisations.

The process of political democracy and economic freedom in West Africa is creating a new environment and offers new opportunities for the development of co-operatives in the region.

The new conditions apply to co-operatives just as much as to private national and international companies.

Consequently, co-operatives are facing increasingly strong and varied economic competition and this demands creativity, flexibility and efficiency.

As far as co-operatives are concerned, a change in the concept of "co-operative" is needed, with an improved management and structure accompanied by increased technical competence and efficiency. It is for this reason that African co-operatives find the research conducted by and the presentations given by Mr Åke Böök and Mr MacPherson on The Co-operative Charter and Principles so applicable.

Co-operatives, budding co-operatives and sub-regional groups can no longer limit themselves to addressing problems on a daily basis. They must look to the future and plan for the future. Otherwise they risk being overtaken by events and may even cease to exist.

What strategies, what means and what kind of institutional help can be given to these co-operatives and groups? Ninety percent are composed of small-time peasant workers, women, craftsmen and savers. Often they cannot read or write? They have not enough money to compete against companies or individuals richer and more experienced in business than themselves.

These are the problems and questions that this Office is trying to help the co-operatives address through its programmes.

### **Priorities and Activities**

Founded in 1981 at Abidjan, the ICAROWA (International Co-operative Alliance Regional Office for West Africa) sees itself as a loosely-knit structure representing ICAROWA General Management and co-operative movements in the region. It concentrates on assisting and stimulating the development of co-operatives and self-promoting organisations in West Africa.

It is open to membership of "ridge" and regional organisations within the sixteen French, English and Portuguese-speaking countries of the Region.

The official agents of the ICAROWA have identified priorities which have resulted in a Five-Year Plan and in development programmes for countries. The programmes are implemented by and on the request of organisations and countries.

The priorities identified are as follows:

Firstly, to clarify and to improve relationships between governments and national movements by using co-operative legislation as a means of communicating.

Legislation is examined by technical experts and by co-operative members for both theoretical and legal content as well as practical application. The information resulting from this double analysis technique means that information and awareness campaigns and/or legislative amendment procedures can be undertaken as necessary.

Since 1990, Cape Verde has benefited from a programme of research and amendment to its co-operative legislation so that it can adjust to political and economic changes in the country. Two bilingual regional workshops were also organised in 1991 and in 1992. The purpose of these was firstly to compare and analyse co-operative legislation in West Africa and secondly to consider and identify principles, methods and action plans for the legal framework of co-operatives in the new economic climate to be amended in line with a participative approach.

Since May of this year, our Office has been supporting two programmes in Mali and in Niger. The aim has been that of helping our member organisations to analyse their political and legal environments in order to put forward proposals to the governments concerned.

Secondly, to support, through research, awareness seminars, training and study trips, the birth of new co-opera-

tive ridge organisations in countries where they are needed and where a favourable environment and institutional potential exist.

The National Federation of Cape Verde Consumer Co-operatives (Fédération Nationale des Coopératives de Consommation du Cape Vert, FENACCOOP) and the Regional Unions of Co-operative Enterprises in the cotton, coffee and cocoa sectors of the Ivory Coast, newly created with support from BRAO, are concrete examples of this priority being put to work. FENACCOOP is already supplying the shops of its member organisations and around 30% of the total population of Cape Verde is benefiting from the services of FENACCOOP and its network.

On the Ivory Coast, the two Regional Unions are acting as true voices of the people, entering into negotiations with public bodies and private companies about supplying factors of production and marketing cotton, coffee and cocoa.

Thirdly, to help consolidate and support the autonomy of co-operative ridge organisations which are already in existence by the development of human resources.

The National Union of Agricultural Co-operatives in Senegal (L'Union Nationale des Coopératives Agricoles du Sénégal, UNCAS), The Co-operative Federation of Nigeria (CFN) and the National Co-operative Congress of Sierra Leone (NCCSL) have taken advantage of help in 1990, 1991 and in 1992 for the development of their hu-



man resources. For example, the training programme for agents and executives of UNCAS has had a positive effect on the end-of-year trading results. The wastage rate of peanuts marketed fell from 1.3% to 0.3% and this in turn led to an increase in rebates allocated to groups at grass-roots level as well as an increase in income for co-operative members.

The ICAROWA, the DSE in Germany and the ENEA in Dakar have been working together since 1989 on the training of technical staff in co-operatives, in ONG support groups and in state offices with regard to a methodology for Co-operative Management of Small Agricultural Farmers (GACOPEA). Sixty or so people have already been trained during the four-month sessions at ENEA in Dakar. In 1992, one hundred co-operative leaders and three hundred individual members benefited from the human resources development programme.

Fourthly, to stimulate the participation of women in the co-operative development process by the financing of training and income-generating mini-investments specific to women.

The Female Village Groups (GVF) of Kamuyu (Sierra Leone), Tanlili (Burkina Faso), Kabala (Mali) and Baékori (Niger) have undergone training and received equipment for mini-investments supported by ICAROWA.

The GVF of Tanlili, for example, was equipped with a grain mill. This equipment not only reduced the work load of the women, it also meant that, be-

cause of good management and the training they received, they were able to save a considerable sum of money. These savings were deposited at the bank, the Caisse Populaire de Cissin, and permitted the female co-operative members to take out individual loans for their small business. Furthermore, these female co-operative members were able to use money earned from the grain mill to contribute to the building of a school and a primary health-care centre, in collaboration with the male group. The women are therefore strengthening their role in the promotion of co-operatives and also in the economic development of their environment.

In 1992, one hundred and fifty women co-operative members took part in several training sessions on mini-project management and community development.

Fifthly, to support activities encouraging the collection, management and circulation of information and people through exchanges and inter-co-operative experiences. In order to do this, the ICAROWA has been editing and distributing a bilingual regional bulletin for several years, called "INFO COOP".

In 1991, work on a regional database commenced. The database has two sections: it processes data on people and legal entities who can act as consultants on any problems or requirements connected with the development of co-operatives and it also processes statistical data on the situation of co-operatives in West Africa.

## **Workshops and Seminars**

Every year, the ICAROWA organise several regional workshops and seminars, in addition to study trips and inter-co-operative exchanges.

In 1992, about one hundred co-operative members and employees took part in five regional seminars and workshops on management, co-operative education and the liberation of finance.

On 25 May 1993, the Constitutive Meeting of the Regional Assembly of the ICA for Africa took place in Abidjan. Lars Marcus and Bruce Thordarson, President and Director-General of ICA respectively, were also present.

This meeting was followed by a seminar for the analysis and debate of co-operative principles for entry into the 21st century. The seminar was chaired by Mr MacPherson of the University of Victoria in Canada who is also an ICA consultant. The meeting and seminar were also attended by around fifty delegates from co-operative movements and training centres in West Africa, East Africa and the southern hemisphere.

## **Future Priorities**

Future programmes of the Office will aim to assist co-operative movements to formulate new strategies and priorities and to acquire innovative tools to enable them to achieve the following:

- to orientate themselves as private economic enterprises in the service of their members;

- to take part in defining a political, institutional and legal environment favourable to their development.

Future priorities will revolve around the following central themes:

## **Accountancy**

The Office should assist member co-operatives to acquire an accountancy system and service which is suited to their needs and to their financial and human resources.

The accountancy service could be offered, against payment, either through existing unions or through an independent and loosely-structured body belonging to several primary co-operatives. This approach would have the advantage of reconciling the high costs of expertise with the low availability of finance in the co-operatives.

## **Computerisation**

The co-operative movements of the region are faced with a need to address the shortage of reliable information, for statistical, accounting or managerial purposes, and of how to process that data using computers. Consequently, the Office should assist co-operative movements that wish to computerise gradually, taking into account their needs and their financial and human resources.

## **Auditing**

In spite of the dictates of co-operative legislation, monitoring practices and audits are seldom practised. Following on from Accountancy, the Office should help member unions to acquire

an auditing service. This service should help members of primary co-operatives to monitor the management of their organisations. Where unions do not exist, several co-operatives could group together to acquire a paid service of joint and independent auditing.

### **The Co-op Development Fund**

Co-operatives in sub-regions have less and less access to bank credit for a variety of reasons. One of the greatest challenges for the co-operative movement in the years to come will be that of finance. During the year 1992, an assessment was ordered by NRD/NORCOOP of Norway, on projects for institutional support and human resources in co-operatives. According to this assessment, exceptional measures have to be taken to ensure future financing of the co-operative sector in the region if such organisations are to survive in the new economic and political climate.

The assessment also recommends the creation of a Regional Co-operative Development Fund under the auspices of the Office. This fund would be managed on a commercial basis and monitored by sponsors and co-operative beneficiaries.

Financing from the Fund would be carried out through the unions, federations and the savings and credit co-operatives which are already in existence. The Fund could also act as guarantor for local private banks for financing marketing activities.

Future programmes from the Office will continue to support the develop-

ment of human resources, the consolidation of institutions and the strengthening of roles played by women in co-operatives.

This second area of future plans follows on from and reinforces the projects which are currently in hand.

### **Overall Conclusion**

In spite of the very real constraints on co-operatives and in spite of the economic crisis which is affecting African countries, co-operatives and other forms of self-promoting organisations have played, and are continuing to play, a very important role in the economic and social development of the most disadvantaged of social sectors - that of the peasant workers.

In every country, co-operatives play a very important role in the agricultural sector in areas such as credit, supplying factors of production, production itself and marketing.

In the Ivory Coast, primary co-operatives in 1988/1989 marketed 30% of coffee and cocoa achieving a turnover of around US\$ 319 million. In Benin, 139 credit and savings co-operatives liberated US\$ 2,068,588 between 1972 and 1991. Even in Sahelian countries, such as Burkina Faso, 147 savings and credit co-operatives have managed to free around US\$ 1,158,352 between 1969 and 1991.

The planting of trees and the erection of small structures to help prevent erosion are often the work of co-operatives and village groups. This all helps

in the fight against desertification and safeguards the rural environment in Sahelian countries.

As you will have noticed, co-operatives and other self-promoting organisations have clear roles to play in the development of grass-roots populations. In the absence of agricultural unions, co-operatives offer the only form of organisation and expression that is open to peasant workers.

The constraints and criticisms which are often directed towards co-operatives are almost certainly due to a lack of understanding and application of the "co-operative" concept. They are equally due, however, to the structural and political problems inherent in the whole of the "Under-developed nation" system.

The various economic and financial crises seen over the last few years have

adequately demonstrated the weakness and precarious position of both private and public enterprises, of development projects and even of the State as an organised system of management.

Co-operatives are therefore unable to escape from the circumstances of the past (the colonial era); nor can they escape from the circumstances of the present.

Reforms, changes and adjustments are being introduced to all sectors of political, economic, social and legal life.

The co-operative sector also needs to adjust in order to survive in the present and to anticipate the future. It is the character of a private economic enterprise that co-operatives must look to, more than ever before. Co-operatives must make profits for their members through effective management.

# Report from ROECSA

by Vincent M. Lubasi\*

## Developments and Plans

The ICA Regional Office for East, Central and Southern Africa currently has a membership of ten national apex organisations and two national specialised organisations. Member movements are from Botswana, Kenya, Lesotho, Mauritius, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. According to the latest statistics, the individual membership totals 6,879,398 excluding Somalia where, for obvious reasons, it is not possible to get accurate data.

Apart from the above movements, the Development Workers' Centre for Education and Co-operation of Rwanda is an associate member of the Office. The office also has close collaboration with co-operators in Malawi and Namibia. Recently contacts have been made with co-operators in the Republic of South Africa. It is our hope that they will be admitted as members of the office once the on-going democratisation process is concluded.

In 1984, the Region organised the first ICA African Ministerial Co-operative



Conference. At the conference, it was agreed inter alia to declare the period 1985 - 1995 a Regional Co-operative Development Decade with the theme 'Progress Towards Self-Reliance'.

During the Decade, the Region was to address issues considered pertinent at that time. These were identified as follows:

- to provide education and training to all the relevant target groups;
- to remedy the co-operative movement's financial handicaps;
- to facilitate, rather than inhibit, co-operative development through co-operative legislation;
- to promote inter-co-operative collaboration through trade between and among co-operatives;

---

\* Mr Lubasi is Regional Director for the ICA Office in East, Central and Southern Africa, Moshi, Tanzania.

- to adopt a ten-year development plan with reasonable targets; and
- to encourage Governments to initiate the mobilisation of financial resources both locally and internationally in order to promote co-operative development.

These have continued to provide the main thrust of the Regional Office activities. Over the years additions have been made, so as to reflect the realities of economic and political liberalisation now going on in the region. Such additions have been sanctioned by the conferences of 1987, 1990 and 1993.

In March this year the Regional Co-operative Development Coordination Committee met to prepare for the 4th ICA African Ministerial Co-operative Conference. In view of the fact that the decade is now drawing to a close, the Committee reviewed the progress made towards the achievement of the various targets. It also established strategies and targets for the future.

### **Progress Recorded**

At the 4th Ministerial Conference it was agreed that the region has done fairly well in providing for the training of members in addition to that of supervisors and middle management. Top management does not seem to have received adequate attention. In addition, there is a perceived lack of relevant literature for use in educational institutions.

There is an increasing level of collaboration on the part of training institutions in the region. The Co-operative

Colleges in Kenya and Tanzania, with the help of the ICA Regional Office, signed a memorandum of understanding last year. This incorporates a wide range of co-operation in areas such as staff exchanges and study visits. Earlier this year, officials of the Tanzania Co-operative College visited Swaziland, Lesotho and Botswana where they discussed ways to strengthen existing relations.

More recently, officials from the Co-operative College of Kenya visited Botswana while the Zambia and Kenya Co-operative Colleges took part, for the first time, in the Annual Symposium of the Co-operative College, Tanzania.

It is also increasingly realised by co-operators that there is need for co-operative institutions to be specialised, to cater for the whole region. Currently, except for colleges in Tanzania and Kenya, the tendency has been to cater for national needs.

The area of co-operative legislation continues to be of interest in the region. On a positive note, it can be stated that since 1984 some countries have overhauled their laws making co-operatives more independent of the State. In Kenya and Zambia, the review exercise is going on. Namibia has recently adopted a favourable co-operative policy. In other countries, there is an on-going dialogue between co-operators and Governments concerning the need to update co-operative laws and give co-operators actual control of their businesses. This changing attitude on the part of Governments

has come about partly as a result of the triennial ministerial conferences and the general political and economic changes.

In collaboration with other agencies, the Regional Office has carried out inter-agency missions in some countries of the region. This year an inter-agency mission for Malawi was carried out in collaboration with the Food and Agriculture Organisation (FAO). Following the mission, Malawi will embark on a programme for the promotion of co-operatives.

The International Co-operative Banking Association (ICBA) held its meeting in Nairobi in March, 1993. This was the first time such a meeting had been held in Africa. The meeting was preceded by that of the Regional Association. The timing of the meetings was made to coincide with the 25th Anniversary of the Co-operative Bank of Kenya.

The highlights of the year include the consultation meeting held in Abidjan, Ivory Coast, on 25th May, 1993 to create the ICA Regional Assembly for Africa.

Many co-operatives in the region are operating with inadequate share capital and substantial borrowings for working capital. They have been hit by the economic stagnation and inflation which has characterised most of the region. Savings and credit co-operatives exist in all the countries in the region. Co-operative banks exist in Botswana, Kenya, Uganda and Zambia. However, it has not been possible for movements to become self-suffi-

cient financially. Member recapitalisation is hampered by low incomes, and sometimes by low returns on share capital. The ICA Regional Office runs a project on Banking, Savings and Credit which provides technical assistance to other institutions within the region.

The Regional Office recognises that, in this period of rapid change, members need assistance in organising themselves to meet the challenges. It is for this reason that strategic planning has been high on our agenda.

Initially, a seminar was organised on strategic planning for the chief executive officers of our member organisations. Strategic planning has been carried out for our members in Botswana, Kenya, Lesotho, Swaziland and Zambia. The office is ready to do the same for other countries on request. The Research, Planning and Consultancy Project which provides the service is currently the oldest on-going project at the office.

The office maintains that, for harmonious development to occur, gender awareness needs to be instilled into all those concerned with co-operative development. In 1992, all paid staff attended a one-week gender sensitisation seminar. This has greatly helped them to be gender sensitive in whatever activities they undertake. At the moment the Human Resource Development Project is preparing for a regional gender seminar to be held prior to June 1994. This is expected to spread awareness of the issue of gender consciousness further afield.

Co-operatives in the region are gearing themselves to take advantage of newly-created opportunities. Liberalisation, which has eliminated State monopolies, has given co-operatives a chance to undertake import and export trade. Having started to export coffee in 1991, co-operatives in Uganda are currently exporting 17% of the country's crop as one of 21 exporters. Co-operatives in Kenya and Tanzania are increasing their export of the traditional crops. At almost every forum of co-operative leaders, the need to strengthen trade ties is emphasised as one way of increasing self-reliance. The office has provided advice on trade-related services since 1989.

The abolition of internal monopolies in areas such as banking and insurance services will lead to greater co-operative participation. The regional office worked very closely with the movement in Zambia in the establishment of a co-operative insurance society. The society now handles the bulk of co-operative insurance business. Similarly, the office is working closely with the Tanzanian movement in the arrangements for the establishment of co-operative rural banks.

### **Priorities for the Future**

The Regional Office will continue to address the perceived needs of its members. In particular, emphasis will be placed on human resource development, business development and the creation of genuine member co-operatives. The overall objective shall be to work towards a well-managed, viable and flexible movement. In the area of human resource development, the office shall work closely with organisa-

tions like the Food and Agriculture Organisation (FAO) in developing member participation programmes. Similarly, collaboration with the Swedish Co-operative Centre (SCC) in organising Co-operative Member Participation Programmes will be continued and expanded. The office is also embarking on Executive Training Programmes for co-operative managers to enable them to appreciate and utilise new opportunities. During September 1993 it organised a seminar on Joint Venture Negotiations. We help to organise similar seminars at least once every year.

The office will continue to have dialogue with Governments whose co-operative legislation is not particularly conducive to co-operative development. The generally positive atmosphere in the region shall be taken advantage of. It is the only way in which we can assist co-operatives to become truly member based and controlled. The problem of co-operatives' weak financial position is viewed by the office as a big threat to future development. The possible participation of co-operatives in export business is particularly likely to be affected. The office will continue to address the issue in collaboration with the Regional Committee of the International Co-operative Banking Association (ICBA).

To consolidate the co-operative movements in the region, the Regional Office will embark on the recruitment of National Specialised Co-operative Organisations as members. This will increase the participation of all sectors of the co-operative movement.



# ICA Development Forum

---

by Momodou M. Dibba

The ICA development forum took place at the ILO Conference room in Geneva on 7th September 1993, when presentations on the ICA's global HRD programme were discussed. The meeting acknowledged the importance of Human Resource Development to the ICA's new development strategy and to its regional programmes.

The ICA development strategy underlines the need for the creation of development models that are people-centred and geared towards the achievement of sustainable human development. It also combines effective member participation at all levels, economic growth and access to productive and well-paid employment.

The meeting recognised that the reinforcement of human and institutional capacities is critical to the development process: not only for improved economic management, particularly of co-operatives, but also in the ability to react to changes within the world economy as they thrust themselves upon us. In this regard, HRD programmes must be well-structured, with well-defined strategies that reflect development priorities, stated objectives and a realistic time frame. The meeting stressed the need for education and training to be adequate, systematic and dependable. The use of participatory techniques, and the exploitation of all

methods of communication and information including distance education, networking at local, regional and inter-regional levels, audio visual systems, mass media and publications was re-emphasised.

However, the meeting noted the problems experienced by co-operatives, especially those in sub-Saharan Africa, in becoming involved in courses on loss control and security management. Equally, institutions should be more businesslike in their attitudes towards education and training, concerning themselves with standards, relevance and innovation.

The training of trainers was felt to be most effective in view of the multiplier effect on grassroots education and training. To this end, the meeting agreed that training must always be relevant and direct. It should provide business education and better management of scarce resources, since co-operatives are inherently conservative organisations and will always insist on better returns on their investments.

With regard to the financing of HRD programmes, a move away from donor financing to self-financing as a concept was considered desirable so as to achieve autonomy, independence and the sustainability of programmes in the co-operatives.

The conventional definition of capital must be broadened to include human and natural capital. Development of the people means investing in humans' abilities, whether in education, health or skills, so that they can work productively and creatively, thus ensuring that the economic growth they generate is distributed widely and fairly.

The meeting stressed the need for effective monitoring and evaluation systems for HRD programmes, especially impact evaluation. There was general recognition that Human Resource Development was considered to be a process of socio-economic change and that the centrality of people in the development process is paramount.

Grassroots education, leadership training and professional and technical training are important ingredients in the socio-economic framework of co-operatives. People in co-operatives need to broaden their horizons, their thoughts, their commitment and their perspectives with regard to HRD, which should occupy a more important place in their thoughts. As primary users and producers of co-operative services, women should be given a higher priority in HRD, employment opportunities, education and training, credit facilities and leadership roles, and within the decision-making process.

The feeling of the forum was that the central role of the ICA in supporting HRD programmes must continue. Regional Assemblies and Regional Councils should include programmes that focus on HRD in their strategic planning. Likewise, Governments,

NGOs, co-operative educational institutions and international organisations should make every effort to promote HRD programmes at all levels.

The ICA Policy on Human Resource Development and its Development Strategy have been put in place, as has the ICA Policy on Women in Co-operative Development. Through its established regional structures, the ICA itself is prepared, more than ever before, for the momentous challenges posed by an environment characterised in the developing world by structural adjustments, market liberalisation and the disengagement of State in co-operative activities. To this end, we must find effective ways and means of strengthening our co-operative endeavours.

Although some excellent training facilities are already available: the Cemas programme, funded by the Swedish Co-op Centre; the Matcom programme, funded by Nordic countries through the ILO; and the UNESCO travel grant scheme for co-operatives and Trade Unions, there is still room for more such aid.

Aid-driven programmes should be structured to suit the co-operative movement, and appropriate standards established to build a viable, cost effective, independent and sustainable co-operative enterprise.

Finally, the follow-up action of the ICA Development Strategy at regional level requires us to remember that HRD should be a productive factor which pays dividends on the economic performance of co-operatives.

# The Environment and Sustainable Development

by Raija Itkonen\*

The Environment and Sustainable Development was the second major theme of the ICA Congress in Tokyo last October. The timing of the theme was perfect because the UN Conference on Environment and Development (UNCED) in Rio in June 1992 with its Agenda 21, a guide for business and Government policies and for personal choices into the next century, was still fresh in the memory. Thus, in fact, the discussion in Tokyo was a co-operative follow-up to the Earth Summit and the Global Forum.

In Tokyo the ICA Congress adopted a resolution on the environment and sustainable development which, among other things:

- recognises the link between environmental preservation and development,
- calls on ICA member organisations to strengthen their activities in this field,
- recommends member organisations, specialised organisations and regional structures of the ICA to formulate their own action programmes towards the compilation of a Co-operative Agenda 21 to be presented at the ICA Congress in Manchester in 1995.

---

\* Ms Itkonen is Director of International Relations of the Finnish Consumer Co-operative Association, Finland. She is also a member of the ICA Board.



As a follow-up to the Congress resolution the ICA Secretariat, together with the ICA Consumer Committee, held a Seminar entitled 'The Environment and Sustainable Development' in Rome on May 21-22. This two-day seminar brought together representatives of ICA specialised bodies, members of the ICA Consumer Committee and members of the European Co-operative Environment Committee.

In my capacity of ICA Vice-President I was asked to chair the first day of the Seminar. Day two of the seminar had a consumer focus, with presentations made by various movements reporting on specific activities undertaken in the field of environment. This day was chaired by Mrs. Ström, Chairperson of the Consumer Committee.

The aim of the Seminar was to begin the process of reflection on the preparation of a Co-operative Agenda 21, as mandated by the Tokyo Congress.

The first day introduced the topic of environment and sustainable development through presentations of the Centre for Our Common Future, the UN Food and Agriculture Organization and the International Federation of Agricultural Producers, all active in the dissemination of information on environment and sustainable development issues and as actors in their sector.

In this connection, I warmly recommend the plain language version of the UN Agenda 21 published by the Centre for our Common Future. It facilitates access to the important material contained in the original 700-page-long Agenda 21.

The presentations were followed by an excellent introduction of the draft Co-operative Agenda 21 by MariaElena Chavez-Pirson from the ICA Secretariat, and I thank MariaElena for her excellent work. I must say that we have a very fine and very able team working for us in Geneva.

Several proposals we made about the document, including suggestions

about its target group, about the role of women and that the document should be attached to an Environment Strategy which could outline relationships between co-operatives and other non-governmental and governmental bodies, business activities, education, care for heritage etc.

The resolution on Environment and Sustainable Development was unanimously passed in Tokyo. This means that we have an obligation to act. The Conference held in Rome requests all ICA member organisations to study the draft agenda during 1994 and to send any comments and suggestions to the ICA Secretariat by the end of the year. A final version of the Co-op Agenda 21 is to be published in January 1995 for presentation at the ICA Manchester Congress in the September of that year. It is my sincere hope that this will be an inspiring and convincing Centenary document.

To conclude my report I would like to quote Mr. Aurelio Peccei, the Italian industrial leader and founder of the Club of Rome, who said: 'The future is no longer what it was thought to be, or what it might have been if humans had known how to use their brains and their opportunities more effectively. But the future can still become what we reasonably and realistically want'.

# Introduction to ICA Policy on Women in Co-op Development

by Jan-Eirik Imbsen\*

## Background and Context

One of the primary objectives of the ICA is to act as a catalyst for co-operative development in all parts of the world. Both the ICA Policy for Co-operative Development and the ICA Policy on Human Resource Development were formulated in order to provide a framework and guidelines for development strategies and activities designed to foster co-operative growth.

The equal participation and integration of women in co-operative development has long been a concern of the ICA. However, in the absence of a clear overall global policy providing guidelines for the formulation of viable gender strategies, our programmes have not always been able to sufficiently focus on women.

Acknowledging the need to do more to mainstream female members, a global ICA gender policy was identified as a priority. The *ICA Policy on Women in Co-operative Development* was consequently drafted and approved by the ICA Board at their meeting in Montevideo in March.



Before I take you through some of the salient points of the policy, let me just briefly make a few general remarks on this subject.

The Commission on the Status of Women in their five-year review (1990) and implementation of the Nairobi Forward-looking Strategies for the Advancement of Women to the Year 2000, warned that the cost to societies of failure to achieve true gender equality in all realms of life would be high in terms of slowed economic and social development, misuse of human resources and reduced progress for society as a whole.

The Commission found that the situation of women had deteriorated in many parts of the world, especially in

---

\* Mr Imbsen is Director for Human Resource Development at ICA Head Office.

developing countries where economic stagnation, negative growth and growing debt, continued population increases and the reduction of public expenditures for social programmes had further limited the opportunities of women to improve their situation. There was also evidence of a disturbing decline in the status of women in the areas of education, employment and health. Too often the issue of the advancement of women had received only low priority.

For decades, development agencies primarily targeted men assuming that all people are affected the same way. Now there is a growing awareness that by ignoring women's needs and failing to recognise their key role in economic development in the developing world, they may have undermined the potential for development. Today attempts are being made to reverse this unfortunate trend, and we find that developing agencies increasingly focus on women in their programmes. Recognising the importance of mobilising the total human potential for development, they have come to realise that we cannot afford to leave out half of the human race in this process. Women can only participate in the process of democratisation to the extent that their human rights are fully recognised, their human potential is developed and they are empowered. The empowerment of women will come from their having access to and control over social resources. More attention should therefore be paid to the way in which resources are allocated within the household or community. Systematic gender planning which

takes into account the different roles and needs of women in society should consequently be applied.

As long as the equality of opportunity is denied them, attempts to integrate women into the development process will continue to have mixed results. Such equality is also essential in terms of human rights and social justice, as well as being the best way to promote change with a human face.

Having said all this, how does ICA propose to go about advancing the role of women in co-operative development? The new Development Strategy outlines our approach which gives priority to women by developing their role within the co-operative movement. It is essential that due consideration be given to gender analysis within the framework of all projects, the aim being to create an enabling environment for sustainable human development in general, and a participatory, viable and equitable co-operative development in particular.

We must continuously analyse what mechanisms have prevented women's participation, and focus on them in ICA's work. One example is legislation which is a priority area for the ICA. (The new co-operative legislation in Namibia which seeks to facilitate women's participation, will be studied with a view to possible duplication.)

To exercise, and indeed to acquire, power furthermore requires skills that must be developed through capacity building. It is consequently crucial that as many women as possible be offered

education and training opportunities, so that each woman, whatever her culture and background, from whatever part of the world, can develop her full capabilities to the ultimate benefit of all society. The ICA will therefore continue to encourage the participation of women in education and training activities.

Gender training and sensitisation of both men and women on gender issues is being carried out, but should be intensified, and the compilation of disaggregated data on women as well as analyses of their situation should continue also with a view to improving the design of strategies and programmes that may better address women's concerns within priority areas.

In line with ICA's new structure there is a renewed emphasis on working through the regions where we have programmes targeting women. In the Asia/Pacific region, for instance, recent gender activities include the publication of regional country studies, the formulation of national and regional strategies, and organising a regional Gender Conference (in Japan). In Central America we have for some years now been running a fairly extensive regional Women's Programme with a substantial income generating component. In West Africa, the recent appointment of a Gender and HRD Officer will enable us to intensify existing projects designed to promote women in co-operative development in that region, and it is our hope that this gender consultation will bring more focus to our gender activities in East, Central and Southern Africa.

## Key Elements of the Policy

With your permission, Mr. Chairman, I would now like to go through some of the key elements of the Policy.

The aim of the policy is twofold:

- a) to contribute to the effective implementation of the ICA Policy for Co-operative Development in accordance with the ICA Policy on HRD in Co-operatives, and
- b) to assure the effective participation and full integration of women in co-operative development at all levels.

In the preamble we state the dilemma that despite the democratic nature of co-operatives, there are still obstacles that prevent the full participation of women. This policy sets out to address these constraints and suggests guidelines for how they may be alleviated.

The background traces previous efforts by the ICA, in deed (the work of the Women's Guild and the Women's Committee) as well as in words (policies), to promote women's participation. Although it concludes that the impact so far has not been satisfactory, it shows that the ICA has a tradition of advocating women's causes and that it is not just getting on the 'gender bandwagon'.

The difference today is that we now have established global guidelines for regional and national strategies which we will have more resources to carry out in what is after all an increasingly more receptive environment.

The following section, Target Groups, includes what we consider to be key actors on the co-operative stage; states and policy makers, development agencies, financial institutions, training institutions, women's groupings and the members, committee members, co-operative leaders and staff of co-operative organisations. Keywords defining their involvement are revision of constitutions and laws, the application of gender planning methods, access to credit, education and training (capacity building), networking and gender awareness.

The section on activities focuses more directly on programme interventions that highlight the close linkage between gender issues and development, all of which are essential and should require no further comment from me.

The policy also sets out to define the role of the ICA. It calls on the ICA to (inter alia) promote women's role and gender issues in general, to be a catalyst and coordinator of gender programmes, to identify and mobilise donor support, and to assist in formulating policies, strategies and programmes designed to advance the role of women in co-operatives. It is a big portfolio, but one which the organisation should be well equipped to carry out given the necessary support from members and development partners.

Under a) we emphasise that support for women should not necessarily be given through specialised women's projects. Because gender differentiation varies from one region to another and from one socio-economic group to another, there is no uniformity in wo-

men's productive roles and in the means of addressing the improvement of these roles. Strategies will consequently have to be tailored to fit the prevailing specific cultural, socio-economic and political circumstances, and programmes should be designed to improve the social, economic and political role of women within the co-operative movement.

At the Tokyo Congress, ICA's President Lars Marcus used the word network to describe the organisation. Point b) underscores the functional advantages of such a big network that makes it ideally suited to undertake a coordinating role. Its contact net also enables it to solicit support both from within (member organisations), and outside the organisation (development partners).

Point c) highlights ICA's structure, the existence of specialised bodies as vehicles for the institutionalised promotion of gender issues. I know that the Women's Committee has had discussions with some of the other committees about joint ventures.

In d) the international nature of the ICA gives it access to various fora where it can advocate gender issues.

Point e) emphasises ICA's capacity to serve as a provider of services to its members.

The global policy should be regionally neutral, but also emphasise the regional approach which necessarily must be adapted to local conditions. We want an overall policy that can relate to regions regardless of national/regional characteristics, but that still accentu-



# SILVER SPRINGS HOTEL



*Regional Consultation on Gender Planning - delegates gather together in Nairobi in October 1993.*

ates ICA's general objective of integration. Given the diversity of culture and tradition within the organisation, the policy furthermore suggests that the regions formulate priorities, strategies and policies that reflect regional realities and address local needs.

Together, these documents should be seen to voice the ideals and intentions of a world organisation with shared values, principles and objectives, but also with a diversity of culture, traditions and priorities that can find their expression in policies and strategies that address regional concerns.

In the conclusion, the ICA Board calls upon the member organisations to implement the gender policy with vig-

our and requests the development partners to support the efforts of the ICA and its regional offices in this direction. A concerted effort of this nature is enjoined on all engaged in co-operative development programmes for preparing the co-operatives to enter the next century with purpose and energy.

The policy sends a clear message that gender is indeed a priority area of the ICA. If we look at the past, we find that the history of the co-operative movement is filled with good intentions with regard to women's issues. With this document providing a much needed framework we are now in a better position than ever to begin to realise them. That is our challenge for the 1990s.

# ICA Director-General's Introduction to Case Studies

---

Our plan is to spend the rest of the day hearing from 16 co-operative organisations about their recent experiences. The theme of the presentations is "Innovation and Success". All have been chosen because they represent attempts to bring new solutions to current problems.

The Specialised Bodies have been very helpful in assisting us to identify these case studies—and in several instances they will be contributing themselves. Naturally there are many other examples of success which could also have been chosen, but the presentations today are also designed to provide some balance among sectors and among regions.

It is our hope that these presentations will bring out important themes which will be of interest to all ICA members, whatever their region or sector. The idea is not to hear the history of these organisations, but rather to analyse

what they are doing differently, and why. After each presentation, delegates are encouraged to ask questions or add comments of their own.

We are grateful to all the organisations which agreed to make these presentations today. And for the benefit of participants, I would remind you that all these reports will be printed in the next issue of the ICA Review. It should be a most interesting and thought-provoking collection.

In spite of the many problems facing co-operatives everywhere around the world, it is also good to remind ourselves from time to time that there is also much of a very positive nature taking place. It may not be a time for "grand designs", as Sven Åke Bök reminded us in his Congress report last year, but it is certainly time for renewed effort, for innovation, and—hopefully—for success.

---

# EXIMCOOP - a Co-op Trading Company

---

by Roberto Rodrigues

## General

In the absence of a marketing structure, increasing agricultural production in Brazil was creating problems with the pricing of products: the higher the levels of production, the lower the prices paid to farmers.

Farmers needed some kind of mechanism of their own so that they could escape from this paradox. Above all, they needed to look at mechanisms for gaining entry into the external market, and thereby free themselves from national and international trading companies. The market had to be considered as a whole and the internal market and the external market had to be looked at from the same perspective. In this way, the opportunities that each market offered could be taken advantage of.

The closest contact possible with final consumers was needed. This would result in more competitive prices on the one hand, and a greater share of market remuneration for farmers on the other.

## Specific

Agricultural co-operatives often encountered difficulties from isolation

when organising and developing ventures with external markets. The reasons for this are as follows:

- experts in this field were rare and expensive.
- a large amount of ready investment was needed.
- each co-operative itself exported very little; it is when taken as a whole that a large amount is exported.

Second grade co-operatives (i.e. Centres and Federations) were unable to overcome this problem because their affiliated companies (the first grade co-operatives) had different interests with regard to the purchasers of the products, with pricing etc.

As a result, a vacuum existed. This vacuum was filled by a Sociedad Anónima company formed by co-operatives interested in international trade. This would result in:

- greater flexibility,
- better facilities for the handling of products, independent of the first grade co-operatives,
- the possibility of marketing a similar batch many times.

## **The Constitution of EXIMCOOP**

A study was conducted to investigate the viability of constituting a co-operative trading company. Following approval by the OCB, the study was submitted to governmental bodies for comment and feed-back from affiliated co-operatives. This was done during March to July in the year 1989. Meetings were held to try and decide the fundamental concepts of the structure to be taken by the trading company.

In August of that year, two large meetings were held (at Sao Paulo and Florianópolis) to ascertain the views of the co-operatives themselves on the trading company.

As a result of this, a working party was formed (by OCB and OCES) with the following duties:

- developing and finalising the fundamental concepts that had been decided,
- drawing up the Articles of Association of the company,
- arranging the final meeting for the constitution of the trading company.

On 10 January 1990, a meeting took place which voted yes for the constitution of EXIMCOOP and which determined fundamental details, such as capital and shares.

## **Fundamental Concepts Adopted**

**Freedom of participation:** co-operatives could participate in EXIMCOOP when they so desired. The idea was to start a process which would lead to the creation of other trading companies,

specialising and expanding over the entire countryside.

Partner co-operatives would have their operational autonomy preserved; no co-operative would be obliged to work exclusively with EXIMCOOP. Neither would EXIMCOOP be obliged to work exclusively with partner co-operatives or with co-operatives alone.

EXIMCOOP would not enter into competition with co-operatives - whether partner co-operatives or not - against other co-operatives. EXIMCOOP would not simply be another co-operative, it would be something more.

## **Risk Limited to Subscribed Capital**

Co-operatives would participate in the Board and Council of Administration. At operational level, they would take part in "Product Committees".

Operational Consortiums would be formed, based on a particular product or group of products. This would bring together the co-operatives that were already trading within a structured marketing environment.

EXIMCOOP would be involved with the following:

- international contacts,
- establishing trading structures abroad,
- constructing its own terminals,
- setting up transportation and contracting of transportation,
- developing other products.

The company was constituted on 24 May 1990 despite enormous problems

caused by changes in the Federal Government (Collor) and resultant changes in the country's political economy. Some suggested that the constitution of the trading company should be postponed, but 9 of the 25 candidate co-operatives decided to go ahead and to start trading under EXIMCOOP.

The authorised capital had been US\$ 2,000,000 but only US\$ 80,000 was subscribed. With this almost symbolic amount of capital, early times were very difficult as credit could not be obtained.

It was decided to start an operational consortium straight away for soya, as most of the shareholders had interests in this particular product.

Experts were employed at enormous cost - they were the best in the business. These experts prepared the ground for trading operations and it

was only on the 21 December that the first real trading operation took place.

### The Soya Consortium

The soya consortium works as follows: co-operatives offer guarantees for the consortium, which is legally a company jointly owned by EXIMCOOP and the share-holding co-operatives. In this way, they work together; the trading company does not have the capital to back the guarantees, but the shareholders do.

Profits are calculated through "transparency assessment" and are distributed between the participating co-operatives of each business, according to the percentage of their guarantees.

EXIMCOOP operates with a subsidiary company called GRAINCOOP, which is based in CURACAO. Risks are very small because all business is carried out with the practice of hedging.

<b>EXIMCOOP</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>
Gross sales (US\$ 1,000)	7,611	32,576	70,000
Cash profits	240	3,116	
Physical volume (tons)	62,112	254,909	
Storage etc. (US\$ 1,000)	473	605	
<b>GRAINCOOP</b>			
Gross sales	19,588	20,296	60,000
Physical volume (tons)	171,000	490,000	

EXIMCOOP will need to be efficient and competitive to survive in the market.

# Restructuring of JA Agricultural Co-operatives

by Fumiaki Aruga\*



## Characteristics of JA-Group Diverse activities

As JA-Group is unique within the agricultural movement, both in the activities in which it engages and in its structural setup, some little introductory comments about its features and the reasons for restructuring may be helpful.

Needless to say, a farmer is simultaneously a producer and a consumer/resident. Therefore JA, at its primary level, provides multiple co-operative services in an effort to meet all the farmers' needs.

To meet the needs of producers, JA activities are organised along the following lines:

- i advice on farm planning;
- ii supply of farm inputs, with shares ranging from 45 to 90% depending on commodity;
- iii agricultural marketing, with shares ranging from 40 to 98%;
- iv insurance against unforeseen circumstances: again the single largest insurance business in the country;
- v supply of day-to-day necessities, both through traditional joint group purchasing and via co-operative shops, including seventeen hundred A-Coop chain stores;

\* Mr Aruga (left) spoke on behalf of Yoshiharu Sato (right), President of JA-ZENCHU, Japan.

vi education and information activities, including a monthly magazine with sales of a million copies and a daily paper selling half a million copies; culture activities, tourism.

If I may elaborate a little bit more, life on a farm entails much more than pure economics. Health care is one of many considerations, to take but one example. The JA runs 115 hospitals throughout the country, which are used not only by member families but by rural inhabitants in general. In the USA, I am told that Medical co-operatives are just beginning to develop. This has been one of the JA traditional activities.

Twenty percent of rural Japan's population is over sixty five. Because of this, the time has now come for JAs to further expand welfare programmes for the elderly such as providing assistance to those remaining at home and running residential homes and daycare facilities. What is being pursued, therefore, under the concept of 'écon-omie sociale' in France, for example, is also being tackled by JA-Group.

As has been seen, the agricultural co-operatives do not confine themselves solely with marketing and supply in relation to a limited specific branch of agriculture. Our primary-level JAs are multi-purpose farmers' co-operatives.

### **Three-tier Structure**

The second notable feature of JA-Group is that the primary co-operatives form non-business Unions and business Federations at the prefectural and national levels. JA-Group as a whole, therefore, is three-tiered.

Incidentally, these secondary and tertiary level Unions and Federations are established along different business lines, which is another special feature.

Why restructure now? Three challenges faced by agriculture and the co-operatives are:

### **Reestablishment of Agriculture**

From the early 1970s Japanese agriculture began to be faced with the problem of over-supply for many of its products. It was also forced to liberalise imports due to trade surplus. Today, there are less restrictions on the import of farm produce into Japan than to most other countries, certainly less than in the USA and European Community.

The challenge which now faces us is to promote agriculture and to encourage more diverse farming activities, including production of high value products and environmentally friendly farming.

To help development in this direction, JA-Group considers it necessary to strengthen its role as the provider of services and advice to farmers within the regions.

### **Building Village Communities**

Rural Japan lags far behind urban areas in that fewer roads are surfaced, the sewerage system is badly in need of improvement and access to public facilities such as hospitals is generally difficult. Furthermore, the proportion of elderly people within the community is increasing at twice the rate of

that within the urban population, thus allowing rural communities less time to establish the facilities necessary for them.

As the environment in which rural people live needs to be improved, JA-Group considers it its task to promote the building of comfortable housing and to make JAs centres which promote better standards of living.

### **Reestablishment of JA**

In order for JA to respond to the challenges described above, it is necessary to strengthen the organisation and performance of the JAs themselves.

### **Outline of JA Restructuring**

The restructuring of the JA-Group is one of the top policy agenda adopted by the All-Nation Convention of Agricultural Co-operatives in 1991, the main theme of which was 'Agricultural Co-operatives: Challenge and Renovation towards the 21st Century'. The Restructuring Scheme consists of two main points:

#### **Amalgamation of Unit JAs**

The primary level agricultural co-operatives numbered 12,000 in 1960, reduced by amalgamation to some 3,000 by March 1993. This means we now have an average of one JA in each local municipality.

The Restructuring Scheme will further reduce this to 1,000 by the year 2000. When that is achieved, each JA Unit should have increased its membership from today's average of 1,500 to about 5,000. Some will have more than 60,000 members.

### **Three-tier to Two-tier System**

As previously stated, JA-Group is characterised by its three-tier system. However, when the primaries increase in size they are likely to be able to take up at least some of the functions so far provided by the prefectural federations. It is logical, therefore, that the prefectural and national level organisations should consolidate, thus resulting in a two-tier structure of organisation, with a two-tier business system.

This means that, although past reorganisation was centred around merger between the primaries, in other words, horizontal integration, the stage is now set for vertical integration.

This is inevitable as the JA-Group, as a whole, will have to reduce its costs in order to maintain a competitive position now that deregulation and rationalisation are prevailing within the Japanese economy.

#### **Legal Framework for Restructuring**

As the JA-Group begins the process of restructuring, a new legal framework is necessary. This is already being obtained:

#### **Alterations in the Law**

In promoting the amalgamation of primaries, the single largest hindrance has been 'long-term frozen assets such as loans'. A new legal provision has been made, which now allows JAs and their federations to claim a tax credit for contributions made to a special fund which is being set up for the purpose of depreciating or liquidating frozen



loans.

The extended law also provides for the transference of business, which may take place in various cases e.g. between the primary and federation.

### **Law for Agricultural Co-op**

The Law for Agricultural Co-operatives was also revised to help JAs solidify their management and control system as they get bigger in size. The revisions include:

- i making the board of directors a statutory institution;
- ii making the institution of representative board members a legal obligation;
- iii increasing the proportion of seats on the board elected from non-members;
- iv allowing individuals to be both employee and board member at the same time.

### **Summary**

JA-Group has been engaged in co-operative activities to meet the professional and domestic needs of its members by organising what are, by international standards, meagre economies within its members' farms, the average size of which is only one hectare. Thanks to many years of campaigning to increase share capital contribution,

JAs have an average of some ¥140,000 paid-in shares per member. Besides this, JA members have deposited savings with the organisation. These could be loaned internationally in exchange for interest, which is another strong point of being a multi-purpose operation. Thus, we have not as yet faced too serious a problem in capital procurement, one of the issues to be discussed in the forthcoming review of Principles.

However, we do find ourselves facing increasingly severe market competition regarding both deregulated financial business and rationalised distribution.

Furthermore, the problems of poor standards of living and an aging population in rural areas, while not falling within the traditional role of JAs, are still faced by co-operative members and rural inhabitants, and are not going to go away. For this reason, it is considered necessary for JAs to do something to help solve them.

JA-Group must start by strengthening its own organisations so as to be able to survive the competition, and to respond to new challenges of more social nature. That is what our restructuring is intended to achieve. It is our challenge as we approach the next century.

# New Forms of Finance for Agricultural Co-operatives

by Jacques Picard\*

## French Agricultural Co-ops

Co-operative enterprises currently represent a major element of the French agro-alimentary economy. The current economic impact of agricultural co-operatives is outlined below:

- Their combined annual turnover is 400 billion Francs (including subsidiaries).
- They comprise 3,800 industrial and commercial enterprises (co-operatives, unions and SICA) and 12,000 service co-operatives.
- They provide employment for 100,000 staff.
- They work on behalf of one million agricultural operations, or 9 out of 10 agricultural operations.

Co-operatives are present right across the country and in all economic functions.

- Co-operatives exist both upstream and downstream of agricultural operations.

Upstream of agriculture: Historically, the oldest co-operatives are



those that supply products needed for agricultural production (fertiliser, animal feedstuffs, plant protection, seeds, machinery, etc). Service co-operatives also operate upstream: CUMA (breeding and artificial insemination co-operatives).

Downstream, products produced by agricultural operations are distributed by various storage, marketing and processing co-operatives that have developed in the different agricultural production sectors (cereals, fruit and vegetables, milk, meat, wine, etc).

- A distinction is also made between co-operatives that specialise in a particular activity and polyvalent co-operatives.

\* Mr Picard is Director of the French Confederation of Agricultural Co-operatives (CFCA) in Paris.

Polyvalent co-operatives combine two or more activities (especially cereals / supply).

These co-operatives, which are often of a scale which covers one or even several *départements*, play an important role in influencing what their members produce, and thus in the development of regional agriculture.

### **Co-operative Groups**

In order to respond to the needs of their members in an economic environment where international competition is intensifying, co-operatives are setting up new legal structures. These have many implications, and often result in the creation of complex "co-operative groups", with the creation of unions of co-operatives, of subsidiaries which are owned jointly with industrial partners and which take the form of SARL or SICA limited liability companies.

These groups are active both upstream and downstream of agricultural production. They are to be found in the seeds sector, as well as in milling, malting, milk processing plants (butter, milk, powdered milk, but also frozen products and high-tech products), in fruit and vegetable conserving, abattoirs and meat processing (beef, pork, chicken, lamb, etc).

These activities, which have developed through increasingly diversified co-operative structures, call for very substantial financing.

There are several factors behind the high financial requirements of the agro-

alimentary sector and, in particular, of agricultural co-operatives: investment in heavy equipment, high exposure to technological developments, commitment to research and development work relating to new products to meet consumer expectations, the search for new markets, publicity campaigns, etc.

The influence of major distribution systems, reflected in downward pressure on prices and longer payment terms, further increases the working capital requirement for these enterprises. Likewise, the CAP reforms also have major financial implications, especially for the storage and processing sectors.

These needs are not always met by traditional sources of finance, and the CFCA has worked hard to improve existing financial tools and to create new ones.

The Law of 3rd January 1991 on co-operative bodies aimed to improve financing conditions for agricultural co-operatives. We will outline its principle innovations below.

### **Traditional Methods of Finance**

Since this report is about new forms of finance, I shall not discuss at great length the traditional forms of finance available to co-operatives. A few words are necessary, however, in order to underline the nature of the changes.

#### *Capital stock*

The fall-off in the number of members of agricultural co-operatives, a direct consequence of the decline in numbers of the agricultural population, is not

conducive to the setting up of capital stock, or even increasing capital stock, for agricultural co-operatives.

This trend towards a certain level of "unpopularity" of capital stock is not necessarily irreversible, and it could be countered by an incentive policy: better returns on capital, combining payment of interest on shares and dividends for subsidiaries of co-operatives and/or revaluation of shares.

#### *Interest on shares*

Before the Law of 3rd January 1991 was passed, shareholders could not receive interest of more than 6%. The Law of 3rd January 1991 changed this fixed rate to a variable index, the legal rate of interest being determined each year. This made the system more flexible.

Reference to a legal rate was repealed by the Law of 13th July 1992 on the modernisation of co-operative enterprises, which replaced it with the average rate of return for private companies' liabilities.

This rate of interest is published at six-monthly intervals by the ministry responsible for the economy. For the first half of 1993, the rate was 7.88% (Journal Officiel dated 7th July 1993).

#### *Revaluation of shares*

Revaluation of shares, which has been permitted since the Law of 27th June 1972 was passed, enables enterprises to offset the effects of monetary erosion on shares that were issued on different dates.

During periods of high inflation, the principle of reimbursement of shares at face value can appear unjust. The

legislative body has therefore left open for those co-operatives that wish to take it up the option of revaluing their share capital with reference to the barometer of life annuities.

We would stress that this does not totally correct the real effects of monetary depreciation. To implement this operation, co-operatives can use their unapplied reserves, including the revaluation provision on the balance sheet.

Some co-operatives regularly make use of this facility so as not to penalise their producers. However, opinion is divided on the benefits of this method, which tends to increase the burden of interest to be paid by the co-operative and to increase the amount of capital to be repaid in the event of a member leaving the co-operative.

#### *New members*

In a conventional company, the material representation of rights of entry is manifested in the form of share premiums paid by new shareholders, which increase the company's share capital. The purpose of share premiums is to place old shareholders and new shareholders on an equal footing with respect to the company's reserves.

Since the reserves in a co-operative are indivisible, the problem is different. Rights of entry are still tolerated where the entry of a new member means that the co-operative has to make new investments.

#### *Reserves*

Reserves represent a privileged means of finance for co-operatives. In con-

trast to share capital, reserves are never paid back.

Reserves are formed following a decision taken by the Annual General Meeting at the time of declaring the result.

Some reserves are of a mandatory nature (legal reserve, reserves for operations with non-associated third parties) and the meeting has to approve them.

With respect to the non-mandatory reserves, and given the low levels of agricultural income, shareholders often hesitate to allocate too much of their co-operative's result to reserves, particularly as the shareholders have no access to reserves unless they are capitalised. However, as we have seen, incorporating reserves into the share capital of a co-operative is limited in accordance with life annuities, which is poor compensation when viewed against monetary erosion.

#### *Grants*

In France, there has in recent years been an acceleration in the reduction in state credits to encourage investment in the agro-alimentary sector.

As things stand at the moment, these national subsidies no longer meet the needs of the enterprises. There are even fears that the reductions will mean that the Community grants which are available to the European agro-alimentary sector will be under-utilised by French enterprises.

#### *Provisions*

In order to retain a minimum profit level in the enterprise, and in the inter-

ests of economic prudence, the boards of co-operatives often decide to set up provisions. These can be subsequently used, for example, to renew assets, or for statutory interest during a subsequent financial period, or for dividends, etc.

#### *Capitalisation of dividends and interest*

In order to avoid exhausting the funds of their co-operatives, annual general meetings sometimes decide to capitalise the dividends and share interest that they have decided to pay out.

This practice is widespread. Its only drawback is on the tax front; the shareholders have to pay income tax on the dividends and interest that are capitalised.

Another option is to decide to pay out dividends and share interest, but to retain the funds in a current account for a limited period of time. In this instance, the shareholders' current accounts do not count as their own funds, but as medium or long-term debts to the co-operative.

#### *Bank loans*

Bank loans have diversified a great deal in recent years. Alongside traditional short-term and medium-term loans we now have spot credits, currency loans, etc. The range of loans available will continue to diversify.

In addition, the trend towards cutting out bank mediation has enabled new formulas to be set up by organising face to face meetings between enterprises. This has led, for example, to the

creation of treasury papers (on the lines of the "commercial papers" used in the United States), and these have been fairly widely used by co-operatives.

However, relying on bank loans has its limitations. Bank loans incur finance charges, which are a burden on co-operatives' operating overheads, reducing their profits and thus reducing their self-financing capabilities. Inflation has for a long time masked the problem by lightening the real financial burden, but the reduction in the rate of inflation means that the full impact of the finance charges is now being felt.

### **New Methods of Finance**

Agricultural co-operatives can use the following financial tools to back up their own financial resources or their medium-term or long-term debts: equity shares, co-operative investment certificates, bonds.

#### *Equity shares*

The Law of 12th July 1985 opened up the possibility for agricultural co-operatives of issuing equity shares in order to improve their own financial resources. Shares of this type represent a debt of lowest order for the issuing company, so they are categorised in the enterprise's own funds, but with the proviso that the owners do not have voting rights so they do not change the power structure within the enterprise. In effect, these count as a security that falls somewhere between a share and a bond.

The only event in which reimbursement is made is if the issuing company goes into liquidation or, at the compa-

ny's discretion, during the lifetime of the company (given that any such reimbursement cannot be made before a period of seven years from the date of issue has passed).

These measures enable the company in question to have the funds that this generates available for as long as it wants, with the decision about any scheduled reimbursement being its only obligation.

Remuneration consists of a fixed element and a variable element. The fixed element must represent at least 60% of the nominal value of the shares. The fixed element may act as a reference to a variable rate, such as the Verage Liability Rate, whereas the variable element is calculated on elements relating to the issuing company's activities or results, as shown in the annual accounts.

The objective of an agricultural co-operative issuing equity shares is thus to increase the enterprise's share capital by a fairly significant amount, thereby increasing its borrowing potential without having to call on existing members to increase the share capital.

I would stress that it is important for a co-operative issuing this type of share to maintain the level of its results. If they fail to do so, existing members will not be pleased to see the value of their returns diminished due to excessive financial charges arising from the remuneration of equity shares. However, the fact that there is a variable element on the return ensures that any interest paid out will, at least in part, be dependent on the financial performance of the co-operative.

Eight years after the Law was passed, we can also benefit from a certain amount of hindsight with respect to the use that has been made by agricultural co-operatives of this new financial tool.

Some co-operatives have issued equity shares which can only be bought by their existing members or by savings organisations with which they have close links. Two large co-operatives, one of which (L'Union Laitière Normande) has experienced known difficulties, and the CANA (a large polyvalent co-operative in the west of France), raised 350 million Francs of capital on the financial markets and have registered these shares on the official register.

The experiences of co-operatives in using equity shares to increase their own share capital thus shows that it has both positive and negative effects. On the downside, there have only been a limited number of issues (less than half a dozen), there has been limited interest by the financial markets in a tool that is relatively unknown and deemed to be too complex, the amounts of the issues have been too low to interest institutional investors who normally purchase this type of financial product, and there have been difficulties in stimulating the market and in maintaining rates under difficult economic conditions.

However, we should not forget that the experience of these enterprises, and particularly of those who have entered the financial markets, has positive elements in terms of reputation and image, as well as in simple financial terms.

The difficulties experienced by the ULN, which I mentioned earlier, had little to do with the issuing of equity shares, which they did in 1987 and 1988.

#### *Investment Certificates*

Co-operative investment certificates (known as CCIs in France) are bonds that are included in the capital, giving the bond holders a pecuniary right on the results and a right to the company's assets, although they do not bestow any voting rights.

The Law of 3rd January 1991 on co-operative bodies stipulates that the successive issuing of CCIs must not represent a cumulative total of more than 50% of the capital stock of the co-operative. This is to prevent a situation where holders of CCI bonds own more than half of the net assets, to the detriment of the co-operative and its members. Where an agricultural co-operative issues CCIs, the proportion of the co-operative's results that correspond to the proportion of the capital stock made up by CCIs will be subject to corporation tax.

#### *Bonds*

The Law of 3rd January 1991 gave back to agricultural co-operatives the option of issuing bonds (a right which had been taken away from them under the Law of 24th July 1966, which restricted the issuing of bonds to limited companies).

This is an interesting provision, even if, given the specific nature of their status, co-operatives are unable to benefit from all of the innovations that

have since appeared on the bonds market.

## New Associates

### *Non-co-operative associates*

The provisions of the Law of 3rd January 1991 enable new categories of non-co-operative associates to bring capital into the business without affecting the co-operative character of the company:

- Employees of the co-operative, its subsidiaries and agricultural co-operative bodies of which it is a member. The Law of 1972 (Article L.522-3 of the rural code) had already made provision for employees of the agricultural co-operative, but the text was both too broad and too restrictive, because when a co-operative had to transfer part of its activities (and thus some of its staff) to a SICA or to a commercial subsidiary company, the employees who were previously employed by the co-operative could no longer count as non-co-op associates.

Now that the concept of co-operative groups has been established, employees of the co-operative group can be non-co-operative associates of the parent co-operative.

Credit organisations and their subsidiaries, aiming to take a shareholding.

Previously, only the *Caisse nationale de crédit* and its subsidiaries could buy shares. The mutualisation of the *Caisse nationale de crédit agricole* and the considerable growth of finance companies no longer justified differential treatment for the *crédit agricole*.

- Investment funds of a company set up by its employees.

This is a very interesting development, and most co-operatives are receptive to it. This measure is intended to enable a savings fund set up by the employees of a co-operative to invest in the co-operative.

### *Bearers of preferential shares*

Preferential shares were created under the Law of 13th July 1992, thus modernising the cooperation status.

These shares are purchased at their face value, and may be purchased by co-operative associates and non-co-operative associates. They are freely negotiable between associates; in other words, they are freely redeemable, the only formalities being those needed for transfers from one account to another.

The specific advantages of this type of share are defined by law in accordance with co-operative principles. In the absence of any more precise definition, it seems that one advantage may be that they attract a higher rate of interest than shares issued on entering or setting up the co-operative.

At a practical level, these provisions should encourage members to invest in their co-operatives by making the return over and above the normal shareholding more attractive.

## Finance for Subsidiaries

### *General overview*

The scenario where a base co-operative holds shares in subsidiaries in the



form of SICA (société d'intérêt collectif agricole) or in commercial companies, either directly or through a union with other bodies, is still widespread.

In such cases, where it becomes necessary to increase the capital of the subsidiary, the co-operative may itself acquire the new shares if it has sufficient funds to do so, or it may encourage finance establishments to invest both in the co-operative and the subsidiary, the resultant increase in the co-operative's own capital enabling it to maintain or even increase its stake in the subsidiary's capital.

The Law of 3rd January 1991 facilitates these measures in that it enables finance establishments to become non-co-operative associates.

In most cases, these operations are shareholding operations with an undertaking to withdraw after five or six years, and with the co-operative retaining an option on the shares.

### *The holding company system*

Increasingly, co-operative groups of a certain size are structuring themselves around holding companies which simply coordinate their shareholdings in various subsidiaries.

Under this new system, co-operative groups have set up a parent organisational structure for industrial and commercial activities upstream of the formation of holding companies and sub-holding companies which control the capital of subsidiaries and which hold minority stakes in other companies.

The parent co-operative thus holds all the shares, directly or indirectly, in the downstream companies that process and market the products produced by the co-operative, in terms of an agro-alimentary holding company that generally takes the form of a limited liability company.

This scenario can be rendered more complex by the creation of sub-holding companies for each sector of activity, the objective being to group together all the downstream companies working in the same field. These sector-specific sub-holding companies, which are financed by dividends from the subsidiaries, can then re-invest in the co-operative as a whole, thus offering considerable flexibility.

The upstream activities (supply) and the service activities are still performed directly by the co-operative, or they may be delegated to companies that are directly controlled by the co-operative.

By making a clear distinction between upstream activities and downstream activities, investment by financial partners can be at any of the group's three organisational levels (parent body, holding company and subsidiaries) in order to reflect their specific natures:

- The parent body (coop or union) often has significant financial needs in order to back up its own capital with securities which are reimbursable but which attract no value-plus. At this level, financial partners may become involved as non-co-operative associates.



*Co-operative investment in French rural environment.*

- The holding company has significant financial needs for its subsidiaries, and may appeal for external capital from finance organisations of its choice with no legal restriction, offering them remuneration and, if necessary, an opt-out.
- Finally, the industrial or commercial subsidiaries are of great interest to investors where the enterprise is of sufficient size and profitability to anticipate floatation on the stock exchange, the anticipated returns being significant.

Common law subsidiaries may obviously use all classical means of attracting finance (rights issues, for example) and of accessing the financial markets.

By way of example, we will cite the case of Vilmorin, which is a subsidiary of the Limagrain co-operative and is the leading European seed manufacturer. It will be floated on the Paris exchange in the autumn.

Financial partners are also able to select the sector of activity which they wish to finance, without contributing to the results of the group as a whole.

To our minds, this is not a question of setting up multiple levels of holding companies aiming to raise capital, but rather to organise the development of a group in a rational manner around a "parent co-operative" which retains control.

In co-operative groups which operate with a holding company, the co-operative remains the key element of the group. However, it is not the hub of commercial, technical and financial activity. It is the owning body of the group, and thus manages the cash flow of the subsidiaries.

## Conclusion

Over the last ten years, there have been considerable developments in the financing of agricultural co-operatives. Alongside self-financing and traditional bank loans, there now exist far more sophisticated tools and techniques which ultimately provide access to the financial markets. However, there are fairly significant fiscal implications, which may limit their usage.

We have not yet reached the limits of creative thinking in this field, and agricultural co-operatives, in common with other companies, continue to seek to optimise their finances by using increasingly sophisticated procedures: management of interest rates and the use of different means of cover (SWAP, options on SWAP, CAP, options on

CAP, FLOOR, TUNNEL, etc), consideration of new products that may interest the relevant financial markets (Agri Epargne, agricultural company savings plans, interest-bearing current accounts, etc).

As a general rule, the solutions that the enterprises find to their finance problems have a determining effect on their future and on their control. Agricultural co-operatives are as susceptible to this rule as any other company. Will these new means, these new legislative tools, enable agricultural producers to remain masters of their own destiny?

The answer will depend largely on the cohesion of the co-operative enterprise, on the quality and depth of the links between the co-operative and its members. A constant commitment to information exchange and to training will enable co-operatives to develop their capital stock, their self financing capabilities, which, in conjunction with access to external sources of capital, will safeguard the future of co-operatives and ensure that their control remains in the hands of their shareholders.

# The Co-operative Bank's Ethical Stance

by Terry Thomas\*

## Basic Co-operative Values

The worldwide co-operative movement has been engaged in reviewing its historical basic co-operative values and principals and considering their relevance to different co-operative sectors of economic activity, both now and in the future.

We have already enjoyed the benefit of the research conducted by Sven Åke Bööök on these subjects and now the torch has been picked up by Ian MacPherson, who is charged with the responsibility of reporting back to the 1995 Congress in Manchester with his conclusions and recommendations.

I do hope that every co-operative, and every sector of co-operative activity, has been giving serious thought to these issues as they have, do, and will affect their particular position in the market place.

If they have not, then they still have a year or so to pick up the challenge, otherwise we shall all be the poorer through not having received the bene-



fit of their experience, and they will also be the poorer for not reconsidering the basic values of co-operation as they affect, or could beneficially affect, their businesses.

As it happens, this request from the International Co-operative Alliance coincided with a fundamental Research Programme which we, the Co-operative Bank of Great Britain, commissioned in 1988.

However, before moving to the next stage of my presentation, let me make it clear that, unless your co-operative has already and successfully addressed itself to the classical marketing issues of product, price, place and distribution, the basic co-operative values are redundant, since, in the modern world, we cannot expect business just because

---

\* Mr Thomas is Managing Director of the Co-operative Bank in Manchester and President of the International Co-operative Banking Association.

we are a co-operative: we must first of all ensure that we have the right product, in the right place and time, at an acceptable price, supported by appropriate promotional activity. What every sole trader, small and medium sized enterprise, national and international company and, hopefully, every co-operative enterprise is also looking for is a clear differentiation from competitors, ideally a sustainable differentiation.

### **Revised Mission Statement**

As I was saying, in 1988, we decided to review our mission statement. We were fortunate, since we not only had our own history since 1872 to consider and the history of the British co-operative movement since 1844 to embrace, but the writings of such gurus as Robert Owen (1781 to 1858) whom we regard as the founder of the Co-operative Movement.

Examination of the copies of the mission statement, produced by a mix of senior management, reveals an opening paragraph in relation to innovation and profits which could have been written for almost any bank. However, this is followed by eight principles or basic values related to socially desirable activity. So what this mission statement is saying, in the most simplistic of terms, is that we are here as a co-operative bank to make a profit adequate enough to at least fund our expansion programme. However, as we are doing that, we must operate within the parameters of the eight principles listed and, accordingly, we must be acting in a socially desirable man-

ner and, as bankers, we shall seek out funding opportunities, the end purpose of which is by definition socially desirable.

So, as you will hear later, we are inevitably forced to announce with whom we will, and with whom we will not, do business, quite apart from whether or not such activity would generate profits for the bank.

### **Positioning Statement**

As a result of introducing the clear, bold and co-operative mission statement embracing, as it does, our co-operative basic values and ensuring through our annual appraisal system that this approach to business is being practised in the marketplace, all kinds of new initiatives were generated within the bank: from winning a national training award for our quality training programme, through to a customer charter which broke the mould of custom and practice in the marketplace and which was, and remains, beneficial to our customers. In fact, this different approach to the market has already won us some half a dozen national awards and countless thousands of favourable column inches in the newspapers and the equivalent time bites on television.

But how, you might ask, were we able to draw this advantage from our mission statement and basic co-operative values? It was only at this stage, and some four years later, that we put this question to our advertising agency and gave them not only our mission statement but a positioning statement of

how we saw ourselves in the marketplace. Meanwhile, for three years, we had been engaged in an enormous research programme, asking more than 30,000 of our customers their views on the importance of ethics in banking, what our position was, and what they thought about ethical issues in terms of people, animals and the environment.

Our previous ethical position had, in the main, been built up by custom and practice over a hundred years and more, by resolutions of our board or that of our parent company, U.K. Co-operative Congress or meetings of the ICA Congress. But those ethical rules remained unpublished, and were only something our employees picked up over time.

The product of that massive research became available early in 1992 and was published in May 1992 as the bank's 'Ethical Policy'. No other British bank has ever published an ethical stance, and our publication was regarded as sensational by the media: with front page headlines, significant in-depth articles in the business papers and magazines, and several minutes of analysis on every television station.

## **Advertising**

The advertising agency came forward with a very dynamic, bold and imaginative series of advertisements for television and the newspapers around the theme of what the co-operative does not do, placing the responsibility on competitors to admit they did do these things or follow us with their own ethical stance.

## **Results**

Although we did not mention a single bank service, and taking into account my earlier remarks about the need for the classical marketing mix of product, place, price and promotion, we have experienced an enormous growth in our deposit base in both corporate and personal sectors. Secondly, awareness of our co-operative bank and the general perception of our bank has significantly improved, however you measure that perception.

## **The Next Phase**

The next phase of our programme is to return to research and, through the actual or potential customers in our target market and major charities (who are also concerned with some or all of our ethical issues), develop and expand our ethical stance.

No competitor bank has as yet been able to respond to our challenge and, when we have completed the second stage of our research programme, it will be very difficult for anyone to deny us the high ground on this issue.

We believe that we have identified a real differentiation from our competitors, and the evidence to date is that it will remain a sustainable differentiation and all we are doing is advertising basic co-operative values, updated to reflect the modern world and the needs of society and communities today.

## **Product Ethics**

Looking to the future, we shall be examining ways in which each financial service can be related back to our ethi-

cal stance: e.g. the link between the R.S.P.B. and our Visa affinity card.

In simplistic terms, we see our ethical stance as our heavy artillery, disrupting and distracting our competitors, with ethically sound services as our tanks able to capture market share through being appropriate in terms of the product, the price, the place and supporting promotion, and with our employees being the foot soldiers who follow behind this campaign and ensure a high quality after-sales service to enable us to retain the business so captured.

### **Relevance and Wider Application**

What we have rediscovered is that the strength and longevity of the philosophy, ethos, principles and basic values of co-operation are as relevant today as they were 150 years ago.

They are relevant in business terms and membership terms. Why do we not take them more seriously and open up a trading advantage which our competitors will find impossible or very difficult to counter?

### **Mission Statement**

The Co-operative Bank Group will continue to develop a successful and innovative financial institution by providing its customers with high quality financial and related services whilst promoting the underlying principles of co-operation which are...

#### **1. Quality and Excellence**

To offer all our customers consistent high quality and good value services and strive for excellence in all that we do.

#### **2. Participation**

To introduce and promote the concept of full participation by welcoming the views and concerns of our customers and by encouraging our staff to take an active role within the local community.

#### **3. Freedom of Association**

To be non-partisan in all social, political, racial and religious matters.

#### **4. Education and Training**

To act as a caring and responsible employer, encouraging the development and training of all our staff and encouraging commitment and pride in each other and in the Group.

#### **5. Co-operation**

To develop a close affinity with organisations which promote fellowship between workers, customers, members and employers.

#### **6. Quality of Life**

To be a responsible member of society by promoting an environment where the needs of local communities can be met now and in the future.

#### **7. Retentions**

To manage the business effectively and efficiently, attracting investment and maintaining sufficient surplus funds within the business to ensure the continued development of the Group.

#### **8. Integrity**

To act at all times with honesty and integrity and within legislative and regulatory requirements.

### **Positioning Statement**

The Co-operative Bank is a different kind of bank, committed to an alternative, socially responsible approach to

the provision of banking services. We aim to achieve this by ensuring that we are both responsible and conscientious in regard to where our money comes from and what we do with it.

## **Our Ethical Policy**

The Bank's position is that:

1. It will not invest in or supply financial services to any regime or organisation which oppresses the human spirit, takes away the rights of individuals or manufactures any instrument of torture.
  2. It will not finance or in any way facilitate the manufacture or sale of weapons to any country which has an oppressive regime.
  3. It will encourage business customers to take a proactive stance on the environmental impact of their own activities.
  4. It will actively seek out individuals, commercial enterprises and non-commercial organisations which have a complementary ethical stance.
  5. It will not speculate against the pound using either its own money or that of its customers. It believes it is inappropriate for a British clearing bank to speculate against the British currency and the British economy using deposits provided by their British customers and at the expense of the British tax payer.
  6. It will try to ensure its financial services are not exploited for the purposes of money laundering, drug trafficking or tax evasion by the continued application and development of its successful internal monitoring and control procedures.
  7. It will not provide financial services to tobacco product manufacturers.
  8. It will continue to extend and strengthen new standards of banking practice through adopting innovative procedures on status enquiries and customer confidentiality ahead of any other British bank.
  9. It will not invest in any business involved in animal experimentation for cosmetic purposes.
  10. It will not support any person or company using exploitative factory farming methods.
  11. It will not engage in business with any farm or other organisation engaged in the production of animal fur.
  12. It will not support any organisation involved in blood sports, which it defines as sports which involve the training of animals or birds to catch and destroy, or to fight and kill, other animals or birds.
- We will regularly reappraise customers' views on these and other issues and develop our ethical stance accordingly.



# Innovation in Economic Development and Job Creation

by Claude Béland\*

The Province of Québec is a nation of some seven 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 also is a modern dynamic co-



operative organisation 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 Alphonse Desjardins, more than 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 which, 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

---

\* Mr Béland is President of the Mouvement des Caisses Desjardins in Quebec.

"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 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.

The Mouvement Desjardins is also involved in the development of savings and credit co-operatives in Latin America, the Caribbean, Africa, Asia as well as in Central and Eastern Europe.

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 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 people, to their confidence in themselves, and their strong social conscience, 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 last century centred on one major concern: the gathering of everyone's savings so that they could 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 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 matter 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 govern-

ments 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 globalisation 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 growing dependent on State programmes 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 industrialised countries are leaving more and more persons without true opportunities. In Québec, for instance, unemployment 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 unemployment, when measured as a loss of

output or national income caused by the underutilisation 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 as 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, one 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, para-

mount 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 the development of society. Inasmuch as we are setting employment as a priority issue in economic development programmes, 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 "endogenous development". From within the cooperative world, what we can see in these instances is the principles 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 everyone 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 cooperation: 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 everyone aware of the importance of employment. It is bringing together representatives from all the major socioeconomic partners of our society: employers' associations, unions, the cooperative 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 the walls of his own field of activity, declined such a responsibility, pointing a finger at someone else, especially those who have political 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 socioeconomic partners, are not ourselves concerned enough with this issue to start acting?" We then realised and agreed that em-

ployment was a shared responsibility. This exercise in partnership, in empowerment and job promotion has been a true success. Firstly, because the programme is still going on after close to four years and continues to bring together, within the national Forum and in regional Forums, the various socioeconomic agents. Secondly 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 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 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 workplace. 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 everyone 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 taxpayers and consumers. For, in fact, when decisions are made and actions are directed from a few remote centres, 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're 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 own 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 socioeconomic partners (manufacturers' associations, unions, farmers' associations, cooperatives, etc.) initiated the campaign labelled «Qualité-Québec», an effort intended, from the very beginning, to get everyone acting together, be they consumers, manufacturers, distributors, social bodies, the media or governments, to create jobs and re-energise the economy of Québec.

Several surveys have showed that, over the course of one year, replacing \$1,000 worth per household of imported goods by products made in Québec would add up 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 someone 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 allowing our whole economic space to be invaded. I would even say that our opening does in fact call, more than ever before, for an ability to work more closely 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 marketplace. We must remember that other nations involved in the globalisation 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 globalisation trend of markets and strong competition as it is emphasising the high quality of our products and developing a new strategy focussing on our own areas of

excellence: furniture, clothing, pharmaceutical goods, biotechnologies, 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 Corp.**

Once again 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 someone 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 organizations, 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 shown 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 centres.

Decentralising 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 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 media. These are no megaprojects but we can see in our regions that, at a time when populations are diminishing and, consequently, 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 represent for us 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»*.

# The Co-operative Bank of Kenya

by Erastus K. Mureithi\*

Kenya is primarily an agricultural country and about 80% of the population live and work in rural areas. Agriculture provides employment to nearly 70% of the nation's workforce. The sector also serves as the main source of raw materials for the expanding agro-industry and remains the largest source of foreign exchange.

The role of the Co-operative Movement in the Kenyan economy is evidenced by the fact that today the movement accounts for about 45% of Kenya's GDP, and about 50% of Kenya's total population is directly or indirectly associated with the Movement. The Movement has, in addition, continued to serve as a major means of bringing its members to a market economy through its established links in marketing, supply of inputs and consumer goods, savings and credit, housing, manufacturing, handicrafts, and transport.

A large number of people derive their livelihood from other employment such as Government or the private sector. Savings and Credit Co-operative



Societies (SACCOS) have been formed by these employees in order to mobilise savings. Members are able to borrow from their accumulated funds banked with the Co-operative Bank of Kenya (CBK).

Over the years, co-operative societies have continued to bank with the commercial banks. These were happy to accept savings and deposits but laid down rigid lending conditions preventing members from borrowing. Hence the need for the CBK.

## **The Structure of the Movement**

The Movement is composed of four levels: primary (Primary Co-operative Societies), secondary (District Co-operative Unions), tertiary (Country-wide Co-operatives), and apex organisations.

---

\* Mr Mureithi is the Managing Director of the Co-operative Bank of Kenya Ltd.

Primary Co-operative Societies are generally categorized according to their main lines of business - agricultural marketing and consumer.

Co-operative Unions are formed by primary societies usually on the basis of specific commodities. A district co-operative union is a union which caters for all the co-operative societies in a district.

Provision of different services such as accounting, transportation, purchasing of farm inputs and stationery, savings and credit facilities, education and training of employees and committee members has been centralised at the district co-operative unions. Gaining economies of scale has been the major impetus behind this centralisation.

Country-wide Co-operative Institutions act as the umbrella organisations which specialise in specific products or services. The Kenya National Federation of Co-operatives (KNFC) is an apex organisation to which other co-operative enterprises are affiliated. However, primary co-operative societies in areas where there are no co-operative unions are allowed to join KNFC, or countrywide co-operative organisations.

### **Ministry of Co-op Development**

Although the Ministry of Co-operative Development does not form part of the formal structure it is, in reality, a principal player in the management of co-operatives. Its role is to ensure that the Co-operative Movement is devel-

oped according to co-operative principles and that it is properly managed. The Ministry justifies its intervention in co-operative management because it finances or guarantees loans and advances for some of the Movement's activities.

### **The Organisational Structure**

In terms of its management the Bank, which is essentially a co-operative, is administered by annual and special general meetings, a board of directors, committees and sub-committees, and its own Management. Members of this administrative machinery are by and large drawn from the entire Co-operative Movement, which is a proof of the strong links between the Bank and other Co-operative institutions. The Bank also has connections with the financial sector, including the Central Bank of Kenya.

### **Links with the Movement**

The Co-operative Bank of Kenya's aims and objectives are to 'mobilise financial resources from the Co-operative Movement and other sources so as to create funds for providing credit, technical know-how, and a range of other banking services to the co-operative sector in particular, and to the public in general'. The Bank generates funds to be utilized to the best advantage of co-operative members; to fund agricultural development in collaboration with other financial institutions; and to provide complete and efficient banking services for the benefit of its members and the public at large. The links which are directly derived from these aims and objectives are described below.

## Shareholders and Policy-Makers

The Bank, which opened in 1968, is wholly owned by Co-operative Societies and Unions. It started with a share capital of only KShs. 225,000, but by June 1992 the share capital had risen to KShs. 183 million. This phenomenal growth is a reflection of the increasing support that the Bank has been getting from its shareholders. On its part, the Bank has been very keen on raising share capital both to finance its ever-expanding branch network and to ensure that it conducts its lending business without violating the relevant provisions of the 1985 Banking Act.

All registered Co-operative Societies, Co-operative Unions, and Country-wide Co-operative organisations are eligible to be members of the Bank. However, a co-operative must first accept the Bank's Bylaws and purchase the minimum shareholding laid down by these bylaws.

In accordance with the co-operative principles, the Bank's members have powers to decide on all the important matters concerning its operations. They are represented at the Bank's AGM, which is attended by district delegates.

However, day-to-day management is delegated to paid management, which derives its mandate and operation policies from the Board of Directors. The Board of Directors consists of 15 members, ten of whom are elected at the delegate's Annual General Meeting, and five Government nominees from the Ministries of Finance and Co-operative Development who have no

voting powers. The Managing Director, who is the Secretary to the Board, is appointed by the Board of Directors. Therefore, the control of the Bank continues to be in the hands of the members who own it.

Although the Bank began with a membership of only 191, it now has a total membership of 2,897 co-operative societies.

Co-operatives have been, and still continue to be, the Bank's main customers in two fronts: as sources of deposits and as customers for the Bank's loanable funds. Since its inception, the Bank has obtained more than two thirds of its deposits from the Co-operative Movement.

To meet its lending objectives the Bank relies partly on its own funds and partly on funds from Government and donor agencies. Over the years, the Bank has received a rapidly increasing amount of loanable funds, which means it is able to provide more credit to deserving co-operative customers.

Initially, the financing of production, processing, and marketing of agricultural crops dominated the Bank's lending activities. Later on the co-operatives diversified their activities, and the Bank's lending categories widened to include credit for other business and investment activities and personal loans. All the Bank's schemes are subject to availability of funds, are continuous and operate within the Bank's lending policy and also within the statutory requirements dictated by the Government.

The operation of the Co-operative Production Credit Scheme illustrates the unique link between the Bank and the Agricultural Marketing Co-operatives. Under this scheme the Bank provides credit to the Co-operatives to finance purchase of inputs as well as product processing, storage, packaging, transporting, and marketing. The marketing of the product is done through a Co-operative and/or a marketing board. Farmers are paid for their products through a co-operative organisation. Each farmer is issued with a passbook which is used to withdraw money from the District Co-operative Unions. The farmers only withdraw the amount of money that will meet their current financial needs. The rest is saved. This payment system has led to development of Co-operative Union Banking Sections (UBSs). The UBSs, which are gradually being converted into Rural SACCOs, in turn deposit the farmers' savings into the Co-op Bank. The Bank is then able to extend credit to the farmers through the Co-operative Societies. This arrangement has contributed immensely to Kenya's socioeconomic development.

The Bank plays a similar role as far as the operations of urban SACCOs are concerned. The SACCOs deposit their members' savings with the Co-operative Bank, and members may then apply for loans which are up to three times the value of their savings. Thus, the Co-operative Bank functions as a 'Central Bank' of the Co-operative Movement.

Up to now the Bank has been able to meet the Movement's credit needs by

granting short-term loans of up to two years and medium-term loans with a maximum period of five years. However, with the recent establishment of Co-operative Finance Limited, a wholly owned subsidiary of the Bank, it is hoped that it will be possible to serve the mortgage and long-term financial needs of the Co-operative Movement and the general public.

### **Government and Donor Funds**

Government and donor funds for credit schemes are channelled to co-operative members through the Bank. Since its inception, the amount from this source has been increasing rapidly, particularly over the past few years from KSh 214,000 in 1968 to over KSh 1 million in 1992.

During the past twenty five years these funds have sponsored 14 credit schemes through the Co-operative Bank of Kenya.

All fourteen schemes were designed to increase food production in the small-scale sector; strengthen the infrastructure of co-operative societies; create employment for the rural people; and provide supplementary funds for developing the Co-operative Movement.

The following are examples of six government sponsored schemes which have recently been streamlined:

#### **Smallholder Coffee Improvement Scheme (SCIP)**

The Kenya Government, the World Bank, and the Commonwealth Development Corporation have jointly spon-

sored this scheme, and which has been administered by the Co-operative Bank in two phases. SCIP (1980-1991) involved the rehabilitation of small-scale coffee holdings and existing coffee factories, construction of new factories and installation of mechanical coffee dryers. It also funded the supply of coffee farm inputs. Owing to the exhaustion of funds in 1991, the Scheme became dormant. However, the Bank is still recovering the loans and the Scheme will resume as soon as more funds become available.

SCIP II is the second phase which comprises the Cherry Advance Payment System (CAPS) and the Farm Input Loans (FIL). CAPS enables farmers who are members of, and who sell their coffee through, a co-operative society to get their payments before the coffee is processed and sold, while the FIL enables co-operative societies to purchase farm inputs. FIL does not cover the purchase of capital items. The Bank evaluates the creditworthiness of co-operatives before loans can be advanced. The co-operatives are, in turn, required to on-lend to their members at the same interest rate.

**Co-operative Development Fund (CDF)**  
CDF is funded by the Nordic Countries through the Kenyan Government. Provision of credit facilities for promotion of agricultural production in areas where co-operatives are less developed is its primary objective. Activities such as land preparation and purchase of farm inputs for the growing of sugar cane, coffee and pyrethrum are financed on strict business terms.

### **Small-Scale Irrigation Pilot Project & Development of Horticulture**

The scheme is funded by the Kredistanstalt fur Wiederaufbau (KFW) of Germany through the Kenya Government. Financing of construction of coffee factories, development of irrigation farming, installation of saw mills, purchase of farm inputs and vehicles as well as the provision of revolving funds for horticulture is the principal objective of this credit scheme. Terms and conditions depend on the activity being financed, but all loans must be secured.

The Dairy Development Fund (DDF) DDF is a DANIDA and Kenyan Government-funded scheme. Only dairy co-operatives benefit from this project. The loan-recipient societies on-lend to their members for a variety of activities, including the purchase of dairy animals, restocking stores and investment in dairy facilities. The market rate of interest is charged, and when financing the purchase of vehicles for transporting milk the dairy co-operative must raise 5% of the finances itself.

### **Kangundo Women Project (KWP)**

KWP is a pilot project begun in 1989. Financed by Swedish Savings Bank Association (SSBA) through the Kenya Government, the beneficiaries are non-agricultural women's groups affiliated to the Kangundo Women Multi-purpose Savings and Credit Co-operative Society Limited. The project will be extended to women's groups throughout the country.

As is the case with several other donor-funded projects, funds are released by the donors, through the Government

of Kenya, to the Co-operative Bank, which lends the funds directly to the Women's groups. So far, the interest charged has been only 6% per annum. This project became the Kenya/Nordic Women's Development Project in 1991.

### **Kenya/Nordic Women's Development Project**

This project, started in 1991, is funded by the Nordic Countries. Financing non-agricultural women's activities classified under weaker co-operative societies is the primary objective of this project. The Co-operative Bank releases the funds only against suppliers' invoice/s duly signed by all the relevant officials.

Although the donor-funded projects briefly reviewed here have somewhat different terms and conditions of lending, they all aim to improve the socio-economic performance of the Co-operative Movement. Their overriding requirement is that the Co-operative Bank must manage donor-funded credit schemes to the satisfaction of donor agencies. Undoubtedly, this link between donor agencies, Bank, and Co-operatives is expected to intensify in the years ahead.

### **The Education and Training Role**

One problem that has been facing the Co-operative Movement is the lack of co-operative education and training for staff members and officials. Where members of a co-op are illiterate or lack knowledge about the rules and workings of co-operatives, they are likely to be manipulated and misled by unscrupulous and selfish leaders.

Obviously, remedying this problem is a big challenge. However, several institutions including the Universities, Co-operative Bank of Kenya, the Co-operative College of Kenya, and the Kenya National Federation of Co-operatives provide education for co-operative training.

For instance, the Co-operative Bank of Kenya Staff Training Centre, which was established in 1987, offers a number of training courses to the Bank's employees and to the Staff/Management Committee members of Co-operative Societies. These courses last from one week to one month and address themselves to three main areas:

- a) The Bank's Services: The topics covered in these courses relate to the types of account available at the Bank and their operating conditions as well as the types of credit schemes offered.
- b) The Special Schemes Managed by the Bank: This training programme tries to acquaint the co-operative customers with the terms and conditions that accompany donor credit schemes.
- c) General Management Principles: These courses involve educating customers, particularly staff and members of the Management Committees of the Co-operatives, on the fundamentals of management with a view to raising the management skills of Co-operatives.

In addition to the utilisation of the Centre for its own training programmes, the Centre is used by other

Co-operative-related Organisations. Examples are the Kenya/Nordic Co-operative Development Programme, the Ministry of Co-operative Development, Co-operative Societies, the International Co-operative Alliance (ICA), DANIDA, and the Kenya Union of Savings and Credit Co-operatives (KUSCCO).

### **Business Advisory Services**

In order to effectively provide business advice to co-operative customers, the Bank has established a Business Advisory Services Department. Its main tasks and responsibilities are appraisal of loan applications for large investments; monitoring and evaluation of large projects already financed by the Bank; initiation and coordination of research and planning work in the Bank; and advising co-operative societies on project selection and design.

Besides being a commercial Bank, the Co-operative Bank is basically a development bank. As such, it advises its customers on investments, financing, marketing, and merchandising. Thus, the Bank's commitment to serve its customers goes beyond its initial objectives. It extends and participates in the protection of the customers' investments.

Furthermore, Bank Loan Officers are stationed in all branches. Their primary function is to meet the Bank's co-operative customers in their respective areas of operation and advise them on the best way to utilize the Bank's services and facilities, as well as determining their banking problems and/or needs.

This is certainly a unique service, since other Commercial Banks wait for customers with investment problems to approach them for advice. Moreover, while other Commercial Banks charge for such advice, the Co-operative Bank offers this service to its customers free of charge.

Yet another unique customer-service that the Co-operative Bank extends to its co-operative customers is the regular annual meet-the-members programme. Under this programme the Chairman and Board of Directors go on a countrywide visit and address members at various centres. During such tours the members of the Board exchange views and interact with the Bank's members and customers on the activities and quality of services offered by the Bank.

### **Movement-to-Movement Collaboration**

In practice, Movement-to-Movement (MTM) collaboration takes place at two different levels. First, the link can be between a co-operative aid agency and a co-operative organization in Kenya. Second, the collaboration can be through direct links between the co-operative organisation receiving the aid and a co-operative organisation in the donor country. The Co-operative Bank has been involved in both types of link.

The Kenya/Nordic Co-operative Development Programme (KNCDP) of 1988-93 has been the focal point of these links. Its Rural Banking Project was designed as an MTM component



to be implemented under the auspices of the Co-operative Bank. The overall objective of the Project was, and still is, to contribute to the development of the rural banking organisations into efficiently managed and financially sound institutions through which agricultural producers are ensured access to credit and savings facilities which contribute to increased production. The Co-operative Bank has contributed immensely toward the attainment of this objective.

Apart from promoting the transformation of UBSs into independent member-based rural SACCOs, the Bank has utilised its own resources as well as those provided by the MTM Project to upgrade the quality of their management. This contribution has consisted of continuous advisory assistance by three banking specialists in the field, development and implementation of improved management systems, conduct of training based on materials and programmes developed through the Bank's Training Centre, and regular inspection of the UBSs/rural SACCOs. The Bank has also appointed a Rural SACCO Training Coordinator to take charge of rural SACCO training activities, with the Nordic Banking Training Advisor as the Officer's counterpart.

The Bank has, for some years now, established links with Bikuben of Denmark. These links aim at providing the Bank with access to advanced banking management practices through study visits and practical training for its staff. Needless to say, a more highly qualified staff is able to extend better service to the Co-operative sector.

Recently, the Bank has also been able to initiate collaboration with the Okobank Training Institute in Finland. The Institute has undertaken to arrange a combined training and exposure programme in Finland for rural SACCO managers. Thus, the CBK has very strong links with both the Co-operative sector in the Nordic Countries (Swedish Co-operative Centre, Bikuben of Denmark, Okobank of Finland, etc) and with Kenya's rural and urban SACCOs.

The Nordic Countries also have strong links with the Kenya Federation of Co-operatives (KNFC) to which the Co-operative Bank is affiliated. These collaborative efforts have mainly centred on the development of a printing press and on the education and training of KNFC staff.

### **Future Links**

The future links of the Co-operative Bank and the Co-operative Movement will be guided by its policies and long-term objectives. It is expected that the Bank will broaden and intensify its links as outlined hereunder.

#### **a) Share Capital**

The Bank will continue to intensify and widen its capital base so as to finance the rapidly-expanding branch network and to conform with the lending requirements of the 1985 Banking Act. The members will therefore be requested to increase their shareholding; non-member co-operatives will be encouraged to become members; and the Bank will investigate the possibility of issuing shares to individu-

als without compromising the Bank's control by the Co-operatives.

b) Education and Training

The Bank will also intensify its co-operative education and training activities. The Training Centre will continue to offer co-operative-related courses and seminars for the benefit of co-operators. In addition, the Bank will offer support to all co-operative financial organisations such as SACCOs, Union Banking Sections, KUSCCO and other unions in offering their financial services. The support will be in terms of training in computer and financial management as well as in developing banking halls. The Bank hopes to play a more central role in the computerisation of the whole Co-operative Movement, which is why it agreed to be a founder member of the Co-operative Development Information Centre (CODIC).

c) Long-term Credit and Mortgage

The Bank's newly-established Finance House will endeavour to satisfy the long-term credit needs of the Co-operative Movement through its Co-operative Finance Company.

d) Privatisation Process

The economic reforms currently being undertaken in Kenya will more than likely lead to a more competitive business environment. The co-operative organisations must therefore expect some of their hitherto unchallenged socio-economic operations to come under more scrutiny. Co-operatives are

already being asked to participate in the privatisation process. The Co-operative Bank will, where appropriate, provide the necessary credit facilities to enable the Co-operative Movement to purchase some of the State Corporations being privatised.

e) Urban Informal Sector Projects

It is estimated that the informal sector (Jua Kali) in the urban centres accounts for about 60% of urban employment. The Bank would like to establish links with this sector with the aim of tapping additional savings, and at the same time offer credit on flexible terms. The Bank intends to use mobile vans which will take banking facilities to the informal traders and hawkers in their operating areas. It is hoped that such assistance will eventually lead to the spontaneous development of Co-operatives in the informal sector.

f) Development of New Products

In order to broaden its links with the Co-operative Movement, the Bank will, in the near future, introduce a Co-operative Card to enable it to enter the field of plastic money. The aim of the new product will be to satisfy the unmet needs of co-operators with reasonably high and steady incomes who would otherwise be tempted to shift to competing banks offering this service. Eventually, the Co-operative Card will be developed into a credit card. The Bank anticipates that a charge card will be popular with the urban SACCOs as it will be used to pay for some of their expenses like fuel and



*Moco Savings Credit Co-op Society - one of the rural SACCOS in the Western Province of Kenya.*

hotel bills. The Bank will also introduce other products including Guaranteed Cheques and Children's Accounts.

### **Strengthening Advisory Service**

The Bank intends to strengthen its Marketing and Public Relations, and Business Advisory Service Departments. These will be expected to determine customer requirements, conduct feasibility studies, and develop and deliver superior customer care.

### **Movement-to-Movement Links**

In addition to meeting the costs of the Nordic technical advisors, the MTM programme will fund training material development and equipment; implementation of seminars and workshops; Rural SACCO inspection; institutional links; systems development and computerisation; staff travel and field operations; and rural SACCO impact study. Thus the MTM support will aim at consolidation and further development of the Bank's support role in relation to rural SACCOs. The Bank will, in the years ahead, assume increasing responsibility for the funding of rural SACCO activities, particularly

for staffing and other overhead expenses.

### **Conclusion**

The Co-operative Bank of Kenya has been in existence for only twenty-five years. During that relatively short time, and despite operating in a highly competitive financial sector it has grown into the country's fifth largest bank. This achievement has been attained notwithstanding the fact that, as a co-operative, the Bank has to operate in the high financial risk segments of the market that its competitors usually avoid.

The secret of the Bank's success is that its Management has judiciously established and professionally administered strategic links with the local agricultural Marketing Co-operatives and SACCOs, as well as with the Nordic Co-operative Movement. But to maintain the momentum, the Bank must intensify and widen its links. In particular, it must actively participate in the on-going trade liberalisation and privatisation process, intensify its co-op education and training, and vigorously encourage further development of movement-to-movement links.

# Toward an Improved Financial System in Latin America

by Ramiro Valderrama\*

At COLAC we believe in the importance of clearly spreading the word regarding our System's current mission, in which changes in the financial environment define the rules and direction to be followed, through adequate planning, by contemporary co-operative institutions.

A Latin American co-operative financial system has been taking shape for some years now, and in 1970, with the birth of COLAC, a task of integration was initiated, the purpose of which is to create a coherent financing mechanism for co-operative development in the region.

There is a common denominator in this theme, which is that the idea of an international co-operative financial system had its origins within the ICA some decades ago, through reports, speeches, motions, and resolutions, as Sven Åke Bööök states in his Report to the Thirtieth Meeting of the Alliance in 1992. The author points out that today we have a successful movement of credit unions, co-operative banks, and insurance companies. And the ques-



tion being asked is: what if they should co-operate amongst themselves to create, for instance, 'regional co-operative development banks', working jointly with the ICA regional offices?

## 1992 Economic Environment

International organisations have arrived at the conclusion that 1992 has seen a satisfactory economic recovery in Latin America and the Caribbean for the second consecutive year, despite a persistent slowness of growth in the world economy. The open market policies conceived at the outset of this new decade have become the cornerstone of economic strategies adopted by a majority of the countries in Latin America. In point of fact, open financial policies have permitted a significant increase in imports and the introduction of new technologies.

\* Mr Valderrama is General Manager of the Latin American Confederation of Savings and Credit Co-operatives in Panama.

Prudent fiscal and money management remained predominant in the region, due to the fact that most Governments stuck to their policies of expenditure moderation and global demand adopted in 1991, which held back inflation to a significant degree.

Preliminary estimates set real annual growth rates at up to 10 percent in some countries. Existing reforms that are already well advanced in almost all nations of Latin America involve liberalisation of commerce, privatisation, tax reform, the reform of social security systems, and the strengthening of social services systems.

Market integration presents nations with new options, and it has provided additional stimulus to commercial activity in 1992. The countries that make up MERCOSUR have substantially reduced tax barriers, preparing for free trade in 1994. The Andean Pact nations have established a network of agreements in order to promote commercial activity. The opening of inter-regional trade is opening the way for new market strategies. Note that Mexican ties to the U.S. and Canadian markets, through the Free Trade Agreement (NAFTA), have led some Central American and Caribbean nations to seek opportunities for exportation to Mexico in order to thereby gain access to the United States.

Colombia and Venezuela are evaluating the concept of free trade with Mexico, not only for ease of access to the U.S. market, but also to access the Mexican market itself. On the other hand, the Initiative for the Americas

complements NAFTA in boosting the opening of markets and liberalisation of trade policies in the region.

### **COLAC's Financial Co-operation**

As is the case in other financial sectors, co-operatives have evolved in an interesting manner, in view of the changes that occur in the environment in which they operate. We have credit unions in all Latin American countries, and co-operative banks mainly in Argentina, Colombia, Costa Rica, and Panama. Here, we want to perfect the co-operative financial integration of the region. In Panama, in January of 1993, the Confederated Bank of Latin America (COLBANCO), which is responsible for leading the regional banking network, opened for business. This year the Banco Mayorista del Plata in Argentina also opened for business and will, together with COLABANCO, work jointly in support of banks and financial co-operatives in different countries in their local and international operations.

Consolidated 1991 statistical data from the Latin American financial co-operative movement reveals that the agencies associated with the Confederation have 17,000 agencies affiliated to them, with 6.7 million members. Members' assets were calculated as US\$ 3,915,986,370 and savings reached US\$ 2,165,774,272. Balance due on loans was placed at US\$ 2,816,732,411.

### **Development Strategy for the Nineties**

In order to act within the Latin American environment, and with the idea of keeping the co-operative financial sys-

tem in place, COLAC established development strategies for the system in the 90s based on the realities of each one of the system's components, considering the General Assembly's decisions, and based on information received at planning sessions held in the different countries in the region. So then, strategies were established in the following areas: development of a new philosophical concept, financial development, institutional development of self-controls, and regarding the role of the Government.

### **Developmental Model**

In order to implement Development Strategies, it became necessary to have participating operational structures and adequate service structures, in accordance with the current realities and those anticipated for the future of the environment in which the system is to operate. The COLAC system's developmental model is the mechanism for the application of the System's developmental strategies and its components are the following: Social Base, Participatory Structure, Corporate Services Structure, and Administrative Structure of the Confederation. The general objective of the model is to establish adequate mechanisms in order to facilitate the implementation of developmental strategies, thereby meeting its objective of contributing to the economic and social development of Latin America.

### **Corporate Service Structure**

The service structure was conceived with attention to the corporate focus of the COLAC System and predicated on

each agency's market base. COLAC, as the main agency in the system, develops representational, planning, and institutional credit activities. The task of representing the system at the international level will be performed by COLAC, in order to project a unified image and facilitate coordination with the different international agencies.

The COLAC Educational Foundation (FECOLAC), deals with educational and technical assistance services, which are complementary services that experience has shown must be joined together in order to facilitate the gaining of better results in terms of technical and educational support for its members. FECOLAC develops educational and technical assistance programmes financed by international organisations, by COLAC, or by its own beneficiaries.

Banking services are provided by the Confederated Bank of Latin America (COLABANCO), which operates with banking industry criteria, according to the legal standards in place in Panama.

### **Confederated Bank of Latin America**

The mission of the Confederated Bank of Latin America (COLABANCO) is that it should become the regional banking institution of first order, contributing to the economic and social development of Latin America in support of the co-operative movement. COLABANCO initiated its activities in Panama's Regional Banking Centre on the initiative of COLAC, which put up the capital required for its constitution. So, COLABANCO's offer of ser-

vices is made up of two important objectives: the Latin American Co-operative Sector's Regional Correspondent Banks, and Local Banking in the Republic of Panama, with priority, in both cases, given to the development of foreign trade.

Thus, the idea of COLABANCO as a double opportunity presents itself, coinciding with the evident lack of an institution for the promotion, coordination, and development of correspondence in co-operative banks and financial institutions at regional levels, contributing to the development of local co-operatives.

The bank's automatization guarantees high productivity and will allow personalised service. The bank is directed by a group of executives with experience in international and domestic banking, who have implemented dynamic and innovative ideas from the outset.

The Confederated Bank of Latin America's market objective is segmented as follows:

#### **Regional Correspondent Banking**

The basic goal is to form a regional banking network for the Latin American co-operative sector through COLABANCO, in other words, to unite

co-operative sector banking institutions in order to maximise the services that these institutions will require from abroad, and may therefore extend to their clients throughout Latin America. The services offered have been designed for commercial banking institutions, co-operative banks, and other non-banking agencies, preferably from the Latin American co-operative financial sector.

#### **The Co-operative Movement**

The Bank's objective is to promote the co-operative sector's development in coordination with the co-operative organisations of integration.

#### **Small and Middle-Sized Business**

This segment is made up of non-co-operative small and mid-sized businesses, and the thrust is to develop it with the active participation of COLAC and FECOLAC. The specialised services offered involve an integrated technical and financial assistance programme; foreign trade and traditional banking services and products.

#### **Personal and Private Banking**

This segment will be serviced mainly in order to foster the attraction of resources and place funds with the professional and executive sectors, and all the traditional banking services will be offered.

# The Strategy of Coop Norway

by Steinar Sivertsen\*

Three years ago, in 1990, Co-op Norway (NKL) decided upon a strategy for the nineties. This strategy comprises three main components:

1. To clarify the co-operative identity and use it as a competitive advantage.
2. To radically improve economic performance and to act professionally in the market.
3. To improve co-operation between NKL (the central organisation) and the societies in order to realise the potential of the organisation as a whole.

## Co-operative identity

Many of NKL's societies and managers had to undergo a radical change in attitude: to see their goal as serving the member, rather than the organisation.

In 1990, Co-op Norway had some 450,000 members, with an average age of 58 years. In many regions the relationship with members was of an indifferent, or even negative, character. The following targets were set:

- the number of members should be increased to 600,000 by 1995;



- the members should make 50% of their total purchases in co-op shops;
- the average age should be decreased to 42 by 1995;
- members should receive a three per cent dividend on their total purchases.

An important tool in motivating the membership and moving towards these targets has been the electronic membership card. Being able to function as a record of dividends accumulated, bank card, and credit card (Mastercard) and entitling the holder to claim numerous other advantages, the membership card has attracted new, and younger, groups of the population. It also allows NKL to address its members personally by direct mail several times a year.

\* Mr Sivertsen is the Deputy Chief Executive Officer for Co-op Norway (NKL) in Oslo.



The results are positive. Today membership has reached 580,000 and the average age is down to 52 years. The members are active, making more than 50% of their purchases in co-operative shops.

### **Economic Performance**

In the late eighties the economic situation in Co-op Norway was rather poor.

From a retail turnover of approximately 17 billion NOK, NKL and the societies made a profit of only 20 - 30 million. In many places co-operative shops were looked upon as unprofessional. The market share was in decline, and was down to 22 per cent in the food market. The following targets were set:

- an annual profit of three per cent should be achieved by the end of 1995;
- a market share of 25 percent by the end of 1995.

Competition has been central to the process of change. In many places within the co-operative structure the attitude has been 'you must buy from me because you own me'. This had to be changed into 'you will buy from me because I give you the most advantages'.

Fundamentally, it is a question of setting higher professional standards. Within the co-op family the boards of directors have, as a general observation, demanded too little. The same goes for the managers. To care about an organisation, to care about people, is not a question of laissez-faire, it is a question of challenging people to utilize their full potential.

The results are satisfactory. Last year we had an increase of 1.7 percentage points in our market share, and we now control 24.5 percent of the food market.

### **Co-operation within Co-op Norway**

In 1990 the relationship between NKL and the societies was full of distrust and dissatisfaction. More than 400 societies: 400 legal entities went their own ways, followed their own strategies.

The target set in 1990 was to make these 400 different legal bodies act as one trading organisation with regard to important business and matters of co-op identity, whilst preserving their local differences and local activities. An ambitious goal!

Broadly speaking, this target has been approached in two ways: firstly, the question of goods stocked. There is no reason why a Norwegian on the North Cape and one in Oslo should use different toilet paper. Consequently, we obtained a signed agreement from all of the 400 societies to negotiate price on behalf of Co-op Norway. The same was done for 750 other product items, thus creating what we call a 'basic co-op assortment'. Instead of 400 buyers we have now one negotiator. Similar arrangements have been implemented for other types of shop.

Secondly, we have the question of corporate identity. Retail trade is increasingly made up of shop chains, each with its own corporate image and an emphasis on one key word: discipline. This is a very unfamiliar word to the co-operative world and vocabulary.

So what do we do? All co-operative shops are owned and operated by the societies. The chain concepts, however, are developed and owned by NKL. This means that each society must sign a franchise agreement with very specific rights and obligations.

The standardised range and the shop franchising system has allowed us to maximise internal co-operation, whilst taking advantage of the variety and creativity offered the co-operative system.

Furthermore, the system has another advantage. 149 years ago the Rochdale weavers organised their flow of goods in such a way as to burden it with as few costs as possible. It was their way

of dealing with what we now call logistics. Through its restructuring of shops and product ranges, Co-op Norway is now in a position to follow the example of the weavers.

As you can see, we have radically improved our economic performance, we have more satisfied members, better shops and an improved market position. However, we must maintain our momentum. There are clouds in the sky. This summer we revised our strategy. Although we will change its emphasis and priorities, our conclusion is that its three main components are still valid as the year 2000 approaches. We believe that the weavers can still look to Norway without turning in their graves.

# Member Participation: Past Experience and Future Development

---

by Masayuki Yamagishi\*

## Development of Co-ops in Japan

Japan's consumer co-operative movement made great strides forward during the ten years from 1975 to 1985. This rapid progress was largely due to two factors: the development of a Japanese-style system of participatory democracy involving the founding of the han groups and the development of joint-purchase systems and retail outlets.

Underlying the development of a participatory system centred on the han groups were the efforts made by co-operative leaders. These strove to develop the consumer co-operative movement by drawing on the energy of its members. They also worked to ensure that co-operative democracy was genuine, rather than a mere shell of representational democracy.

Another factor was the nature of Japanese society itself. Over the years from the Edo period to the end of World War II Japan had a tradition of administrators who drew on the agrarian society's community spirit, organising



and deploying community groups skillfully as a means of ruling the people. The co-operatives built on this community awareness and used it as the basis for founding the han groups, by which means they were able to realise a system of participatory democracy. Whilst democracy was developing very slowly, and as women began to participate more fully in society, co-operative activities provided women, and housewives in particular, with a vehicle for social participation based on the han groups.

## Co-op Kanagawa's Slump

Following this period of rapid progress, Co-op Kanagawa entered a slump in 1985. From the perspective of member activities, this was manifest in a number of ways. The han groups began to

---

\*Mr. Yamagishi is President of Co-op Kanagawa in Japan.

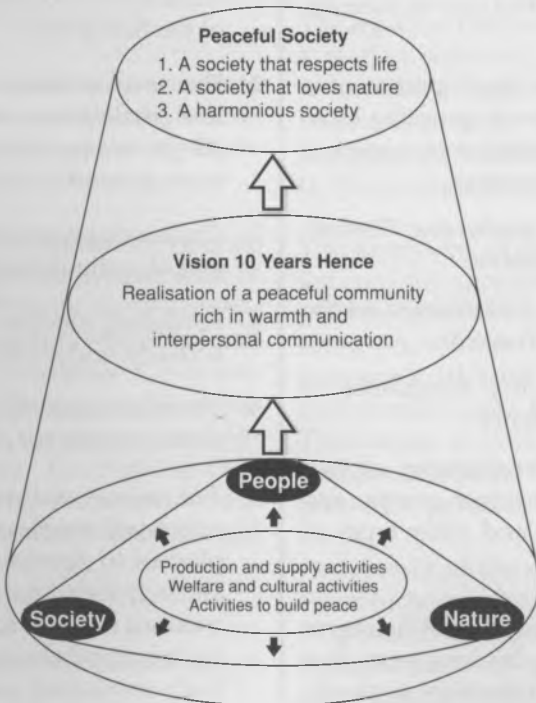
atrophy. Many stopped holding group meetings, and attendance at group leader meetings fell. Few wanted to become committee members, participation in gatherings and petitions declined, and members' purchases stagnated.

The main factors which contributed to this slump were 1) the absence of a system to facilitate the participation of working people. The number of women working outside the home was steadily increasing. 2) Slow progress in the policy adjustments necessary to respond to the shift in the members' concerns away from safety considerations toward a much wider range of

issues. 3) The emergence of obstacles to a functional organisation for co-operative members due to the steadily-expanding scale of the Co-op's organisation. One other major factor was the Co-op's slowness to increase the scale of its retail outlets.

Insofar as Co-op business is concerned, the slump was evident in that Co-op products became less popular as other suppliers also began to eliminate harmful additives from their products; the Co-op lacked the capacity to enlarge and upgrade its retail outlets; and it was also lacking in personnel development skills and management capabilities.

## Conceptual Outline of the Co-op Movement Identity



In 1987, Co-op Kanagawa formulated a long-term plan in order to overcome the problems and to enable it to make new strides forward as it approached the 21st century. Based on this long-term plan, the Co-op then formulated a corporate identity programme in 1988.

A conceptual outline of the programme is shown in the diagramme on the previous page.

The following six areas were identified for innovation in the long-term plan, and the Co-op began taking steps toward their achievement:

1. Organisation: The creation of a membership organisation that would enable everyone to participate in and to feel part of their co-operative.
2. Business: The development of a comprehensive co-operative business encompassing every aspect of life in the community.
3. Members and employees: The cultivation of initiative.
4. Management: Clarification of the organisation's functions.
5. Theory and policy: Elucidation of co-operative theory.
6. Relations: Strengthening of ties among the consumer co-ops, and between these and other types of co-operatives.

**Recent Progress and Future Challenges**  
Since formulating this long-term plan and beginning to take steps in the di-

rections it defined, Co-op Kanagawa has made progress in the following areas:

- Decentralisation through the establishment of regional committees;
- Transition from a type of management based on negative reinforcement to one based on respect for the initiative of members and workers;
- Stimulation and organisation of activities in new areas including the environment, welfare and culture, as well as in the workers' co-ops.

Items on Co-op Kanagawa's current agenda include the following:

1. The development of a new democratic system to counter the decline of the han groups.
2. The development of systems to allow participation of working people in co-operative activities and management.
3. The development of an organic system of communication.
4. Furthering member education, particularly leader education.
5. The integration of pyramid and network-style forms of organisation.
6. The improvement of staff training which will enable co-operative employees to develop their initiative and help them share members' perceptions in order to strengthen the partnership between the co-operative's employees and members.

# The Development of Hungarian Consumer Co-ops

by Pál Bartus\*

The general consumer and sales co-operatives in Hungary represent an important part of the retail trade. The activities of our 273 consumer co-operatives cover practically all the regions of the country, but they are most influential in rural areas, villages and small towns. Thanks to their more than one million members, they are in day-to-day contact with the population. Their activities are mainly concentrated in retail trade, with 11,600 shops and 5,000 restaurants.

In Hungary, co-operatives are medium sized enterprises, particularly following the privatisation of the big State-owned retail companies.

The consumer co-operatives operate according to a federal system, with 19 counties. The 273 consumer co-operatives are also members of the National Federation of Consumer Co-operatives, AFEOSZ. There is no hierarchical link between the regional and national federations. The National Federation is a central institution, which represents the members' economic and social interests.



The legacy of the past, the transition to a market economy, decreasing State involvement, high inflation, growing unemployment levels and other circumstances resulted in a net decrease in the co-operatives' performance.

The narrowing of the consumer market, and the appearance of new competitors resulted in a decreased retail turnover. Their annual turnover amounts to HUF 104 billion, more than half of which goes to the food sector. Their share in retail trade sank to 9 percent, compared with the previous level of 35 percent.

As a result of the economic setback, lower turnovers, high interest rates (35-38 percent) and growing costs, and because some co-operatives reacted more slowly than would have been

---

\* Mr Bartus is the President of Co-op Hungary in Budapest.



*Hermes is a consumer co-operative which supplies agricultural products to farmers.*

desirable, some 40 percent of the consumer co-operatives are currently operating at a loss.

Several co-operatives went bankrupt and were liquidated. However, the majority of co-operatives - despite their losses - have sufficient reserves which, if used properly, should help them over the recession.

Some Government forces have questioned the legitimacy of the existing co-operatives, in both political and social terms. Therefore, the consumer co-operatives have had to react not only to the new challenges of the market, but also to these political changes.

In 1992, Parliament adopted a new Law on Co-operatives. This gives the co-operatives a greater degree of au-

tonomy. At the same time, a special 'Transition Law' obliged the co-operatives to register their accumulated assets in their members' names, in the form of 'business vouchers'. The co-operatives' total assets are valued at HUF 38 billion, 70 percent of which are registered in the members' names. The average business voucher is worth HUF 23,000.

The Transition Law demanded new elections to the governing bodies, and permitted mass withdrawal from the unions. In the majority of cases, the existing postholders were re-elected. There were only 14 cases of separation from the co-operatives. The membership has adopted the new by-laws in conformity with the new Law, and the co-operatives' operational structure has been altered accordingly.

The consumer co-operatives held their first congress in 1990. A second congress was held in December 1992, where the main strategic goals and tasks were set. These are the following:

- maintaining competitiveness, and internal restructuring;
- placing the emphasis on trade in foodstuffs and daily necessities and standardising the network of food shops and supermarkets;
- creating a co-operative wholesale system in the counties, and regions, and the establishment of a national wholesale centre within the framework of AFEOSZ;
- improving the integration of department stores dealing with non-food goods;
- emphasising the representation of economic interests in AFEOSZ activities - by coordinating the consumer co-operatives' trading activities.

Achieving these goals is slower than anticipated, mainly due to the lack of capital. The co-operatives do not possess external financial means, so have only their own resources to fall back on. This is why an internal structural change is taking place, in which those assets not immediately required are being sold off.

The bigger supermarkets (roughly one thousand) will remain the property of the individual consumer co-operatives, but will operate according to a uniform style, and will implement a joint

purchasing scheme. Foreign financial assistance is needed, with low interest rates, to ensure their technical development and modernisation.

Department stores selling non-food goods also need a radical change. Previously, clothing used to predominate: we now need to increase the trade in technical appliances, agricultural tools, videos and video games and leisure products. A merger of the 55 largest department stores is anticipated and 'CO-OP' department stores will replace the old SKALA-COOP departments store system.

The establishment of co-operative wholesale systems is to be accomplished through our own efforts, including the use of previously-founded co-operative enterprise

The consumer co-operatives have created a new county and regional purchasing organisation called PROCO-OP. In some counties they have established this purchasing base by buying up State-owned food wholesale companies. Their main profile is to trade in foodstuffs and daily necessities. The operational purchasing societies' annual turnover will be in excess of HUF 10-12 billion, which represents over 20 percent of the consumer co-operatives' turnover in food and in daily necessities.

The national purchasing centre, PROCO-OP HUNGARY, works within the frame of CO-OP HUNGARY. Its main task is to coordinate the county-level regional organisations, to organise joint negotiations with suppliers, to sign





*ABC Aruhaz is a chain of supermarkets which provide daily foodstuffs and household articles.*

standard agreements and to purchase non-food goods for the consumer co-operatives using the central warehouse facilities.

Because of legal limitations, the consumer co-operatives are not as yet in the position to take part in the privatisation of State property. However, it is already, in principle, possible to buy up State-owned enterprises, for example wholesale food society, bakery or milling industries. Greater participation in this kind of privatisation is difficult because of lack of capital.

The consumer co-operatives wish to develop expanding economic links, based on mutual interests, with the West-European countries. We count on the commercial co-operation of the consumer co-operatives in these countries. We wish to participate in their joint purchasing and to have continuous contact with INTER-COOP. Our consumer co-operatives consider ICA

activities to be important, wish to take an active part in them, and expect technical and political support from the ICA.

Hungarian consumer co-ops wish to hold their ground with respect to increasingly stiff market competition. To do so, political stability is needed. Unfortunately, at the beginning of 1993 there were some moves to alter the legitimate co-operative structures by modifying the Co-operative Law, allowing individuals and small groups to separate from the co-operatives, and the resultant withdrawal of assets, would have resulted in the erosion of the co-operatives. However, no such amendment of the Co-operative Law has taken place.

We are confident that we shall be able to carry on our work based on the existing laws, concentrating on those economic tasks which are in the interests of our members.

# Strategic Management in Co-operative Retailing

by Ole Dueholm\*

Inter-Coop is an association of 18 consumer co-operative central organizations in 16 countries in Europe, Israel, and Japan. Our job is to promote economic collaboration among our owner organisations, i.e. any collaboration which will provide financial benefits for our owners.

'Strategic Management in Co-op Retailing' is a project which we conceived in 1992 and implemented in the course of 1993: a series of international education programmes and seminars, developed for senior executives in our owner organisations.

The specific purpose of the programme is to add an international dimension to the formal training and education which the managers already have.

At the outset, we defined our target group as high-ranking executives, typically co-op society managers or people in equivalent positions in the central organisation. They should all have behind them the formal training and education which their respective organisations offer. In our case this means



that we have a target group of 330 executives from owner organisations in the six countries where our owner organisations decided to support the project by participating in the work of the project steering group.

Of this target group we have calculated that roughly 27%, or 90 persons, could be expected to join the programme, and as we defined the ideal number of participants in one series of seminars to be 15, it means that we have the potential to run the programme at least four times before our 'market' is saturated.

With a target group of high-ranking executives we cannot expect delegates to attend a 10-12 day programme, and we consequently divided the programme into three modules in three

\* Mr Dueholm is Co-ordinator for the food and retail section of Inter-Coop.

different countries. The overall programme was designed by a Steering Group consisting of personnel development department managers from six of our owner organisations. By applying a modular structure to the programme we have been able to distribute the workload for the development of the individual modules and, at the same time, to draw on local expertise in various areas without sacrificing overall continuity.

We decided to run the three modules in the UK, Germany, and Sweden and worked together with outside expertise from the Manchester Business School, Manchester Metropolitan University, the Deutsches Handelsinstitut in Cologne, the University of Stockholm, and finally the Stockholm School of Economics.

To ensure continuity and coherence we have worked very closely with a Professor of Retailing from the Manchester Business School, who has participated in the development stage and is also the through-going figure in all three modules.

The first module of the programme was launched in Manchester in March, 1993 under the heading 'Competition & Growth'. It relied to a great extent on academic or theoretical input around the development and implementation of strategies, as well as the analysis of markets and competitors.

The second module took place in Cologne, Germany in May and was entitled 'The European Consumer and Co-op Retailing'. It took as its starting

point the current changes in market demographics and consumer behaviour, and it focused almost exclusively on cases presented by consultants or other retailers, so that this module emphasised the practical aspects of retailing and retail strategy.

We have consequently moved from predominantly theoretical input to mainly practical input, and the third module, which took place last September in Stockholm, was a mixture of the two approaches. Its theme was 'Corporate Planning and Strategy'. Professors from the Stockholm School of Economics and the University of Stockholm lectured on aspects of Total Quality Management, 'green issues', productivity, and information technology, while executives from the Co-operative Retail Group of KF, Sweden, talked about individual examples of strategy and quality management implementation.

A very important aspect of the whole programme is the fact that it has been designed to be participation-oriented. Both delegates and speakers have been encouraged to create dialogues during the various individual sessions, and this has been made possible by the relatively low number of 13 delegates.

Both the continuity of the programme as a whole and the participation orientation have been supported by the creation of three workshops which were started in connection with the first module in Manchester. The three workshop groups were active throughout the programme and worked with issues of topical interest in all countries.

One workshop dealt with 'Response to Discounting' and benefitted from the fact that retail discount formats are at different development stages in the delegates' countries, so that there was a very real opportunity for delegates to draw on experience from other countries.

The second workshop was about 'Service in Retailing' and the possibilities to differentiate the profiles of store concepts through service, in other words the benefits of upgrading the 'soft' competition parameters of the retailer.

Finally, the third workshop dealt with the 'Use of Membership in Consumer Co-ops', another subject which benefitted from the variety of approaches in different countries, ranging from the traditional member benefits such as dividends to sophisticated and electronically based membership systems, which can be used in advanced loyalty programmes and direct marketing schemes.

From our point of view we certainly have an innovation here as it is the first time Inter-Coop has organised a formal training programme as an extension of our traditional exchange of experience and information. It is also an innovation in the sense that it is an extension of the national co-operative training and of regional programmes such as that arranged among the Nordic countries.

The evaluations of the two first modules indicate that we have a success on our hands and, although it is tricky business to count one's chickens be-

fore they are hatched, we are confident that the evaluations of the last module and of the programme as a whole will bear us out.

In order to support that view we have listed some of our main experiences from the programme and its most important achievements.

The evaluations of the two first modules have confirmed the validity of some of our main considerations.

Nowhere in the process have we compromised with regard to our original aim of creating a high quality programme for high quality people. It is always tempting along the way to try to economise, but we have not done so at the expense of the quality of speakers.

Another temptation could be to accept delegates with an organisational standing other than the one defined. With the support of the project steering group we managed to avoid that kind of pitfall, and we have indeed had a group of equals, which was greatly appreciated by the delegates, as indicated by their comments on the programme.

It is not important what target group one has for a programme like this, but it is important to have a homogenous group with similar backgrounds and responsibilities, and in any future programme we will certainly make sure that the delegates are 'equals'.

The homogeneity, and the common background and responsibilities are

also very important with regard to the workshops which are organised in connection with the programme, and the work that was organised in connection with the workshops has served two purposes. One purpose is, of course, the work itself: the discussions on the subject chosen, but the workshops also serve to bring delegates together as a group and to emphasise the orientation towards active participation by the delegates themselves.

The final item on the list of our most important experiences is the continuity. We had to split up the programme and to organise it in three separate modules over a period of six months, and we also had to cover a lot of ground between abstract theory and down-to-earth case studies. To keep the programme together, both on the personal and the professional plane, we had the opportunity of working together with a Professor of Retailing (Mr. Gary Davies) from the Manchester Business School, who has supported the Steering Group and Inter-Coop in both the development and implementation of the programme. Professor Davies is the through-going figure for all of the modules.

This support proved invaluable in creating the link between the practical approach of delegates, the practical input in the form of case studies and the academic input in the form of theory.

What have we achieved with our programme? An education programme as such is not, of course, a unique thing. There are many programmes on the

market. What is unique about our programme is that we have succeeded in creating a course that is custom-made for retailers, and one which is targeted specifically at a high and well defined executive level. This strict adherence to a specified level in the organisation ensures maximum benefits for the delegates, especially in a participation-oriented environment.

Our group of delegates have comparable backgrounds as they are all executives, they are all retailers or have retail-related functions, and they are all from the consumer co-operative movements. The common co-operative background means that delegates are neither direct competitors in the market, nor are they likely to become competitors.

This aspect clearly differentiates our programme from other courses and seminars, which - even if they were aimed at the retail sector - would potentially include a significant element of actual or potential market competition between delegates.

The fact that delegates are not competitors in the market contributes to an open dialogue allowing not only strengths, but also weaknesses, to be revealed and discussed. I am pointing this out because we are convinced that there are lessons to be learnt from both successful and unsuccessful business ventures.

All delegates represent consumer co-operatives, and therefore they share similar business ideas regarding retail practice. The co-operative idea is trans-

lated into retail practice in many different ways across countries and continents and, by meeting and working with colleagues from other countries, delegates have the opportunity of taking a fresh look at other business cultures and of being inspired by other approaches and other ways of acting on the market.

Finally, even national markets show significant differences in characteristics from region to region, and if we look at Europe as a whole it is certainly not what might be called a homogeneous market.

Within Europe there are enormous differences from North to the South and from East to the West, and differences relate to both the general retail structure and to the presence of different competitors with different retail formats, so that e.g. the discount food retail format is at many different stages of development across Europe.

'Strategic Management in Co-op Retailing' has been able to use this diver-

sity of markets in a positive way. This means, just as one example, that delegates from countries where the discount format is at an early stage can draw on the experience of colleagues from countries where discounters are firmly established, with all the implications that such a situation has for the food retail business.

With the programme we have therefore managed to get the best of both worlds. We have not only overcome national differences, we have been able to take advantage of the variety of national retail scenarios and put this to use in an international programme designed to benefit all participating members, whatever their nationality.

While the programme we have described here is only one element in the total picture of our efforts to promote economic collaboration, it does stand out as a significant and new element in the process of increased internationalism in all aspects of business throughout the consumer co-operative sector.

# Privatisation of Public Housing in the New Länder

## A pilot project for a co-operative solution

by Thomas Schaefers\*

Only nine months intensive preparation work preceded the foundation of the Maxhütte housing co-operative in May 1993. This was the first significant new housing co-operative in the Länder of the former GDR.

### Agreement with the residents

A high degree of consensus with the residents of the former State-owned housing units was an essential precondition for the realisation of the project.

The residents had to be well-informed about the nature of tenants' co-operatives and about their rights and duties as well as about the programmes of rehabilitation and maintenance.

### The transfer of stock

The majority of the 1410 dwelling units around the 'Maxhütte' steel plant in Thüringen were built in the fifties and were in need of updating. Most homes, for example, still used old-fashioned coal stoves for heating. Few of the houses are prefabricated.



There were no outstanding debts on the homes, so the sale could take place without the burden of any existing mortgages.

As elsewhere in the former GDR, the steel works were liquidated following a takeover by the 'Treuhandanstalt' (THA), the State-owned liquidation authorities. Previously, 6500 workers had been employed there, but only 620 of those were able to stay on with the new company, ARBED steel works from Luxembourg, which bought some of the business from 'Treuhandanstalt'. The majority of the steel workers were made redundant or took early retirement.

All of the former GDR's housing stock which used to be linked to industrial complexes is now owned by THA and

---

\* Mr Schaefers is Chief of the Co-operative Department of Gesamtverband der Wohnungswirtschaft (GdW) in Germany.

will be privatised. Maxhütte has become a pilot project for such privatisation.

### **Becoming a Co-operative**

The tenants were all in a bad situation. They had lost their jobs and feared they might become homeless if privatisation were carried out in such a way that revenue from sales were the only consideration. In many cases sale to individual tenants is not possible, as their financial resources are inadequate.

Furthermore, some legal problems are involved in the individual sale of dwelling units. For this reason, THA contacted the German Head Federation GdW for guidance. GdW proposed a tenants' co-operative.

The 'green light' given by the board of directors of THA made it possible to take Maxhütte as a pilot project. Thus, it might be an excellent model for other State-owned housing in the former GDR, as well as in other Central and Eastern European countries.

### **The Co-operative Takes off**

92% of the tenants decided in favour of the co-operative solution. After such a clear vote negotiation started quickly with representatives of THA, the management of Maxhütte, and its works committee as well as the GdW.

Realistic conditions for the transfer of the housing stock had to be found. The price for the housing units, the sites and the share value had to be fixed. Together with lawyers and consult-

ants, as well as the regional federation in Erfurt, all details of the project were discussed, until a detailed timetable for the takeover could be settled.

Originally, THA had estimated a figure of 40 Million DM, which meant a cost of 28,000 DM per housing unit. It was finally possible to reduce the price to 20,000 DM per unit.

Co-operative shares as a financial tool So, the housing co-operative's capital had to be raised through members' shares (7,000 DM per dwelling). The economic concept of the co-operative had to cover the necessary renovation and maintenance work, which had been neglected for 25 years. Nevertheless, the rent will remain unchanged for the first 5 years, and this will be followed by moderate increases during the renovation work (4.33 DM/square metre to 5.67 DM/square metre per year, reaching 7.78 DM/square metre in 2003). So, 50 Million DM were needed for maintenance and renovation: 35,000 DM per dwelling.

### **Communication with Members**

Naturally, an investment of this size is not possible without outside capital. So, apart from 9 Million DM of its own capital, raised through the co-operative shares, 19 Million DM outside capital was necessary to buy the whole of the housing stock from THA.

The precondition for this was that at least 90% of the households had to agree to the relatively high share price of 7,000 DM (the average share in the former FRG is 1,500 DM per dwelling).



# Privatisation of Public Housing in the New Länder

## A pilot project for a co-operative solution

---

by Thomas Schaefers\*

Only nine months intensive preparation work preceded the foundation of the Maxhütte housing co-operative in May 1993. This was the first significant new housing co-operative in the Länder of the former GDR.

### Agreement with the residents

A high degree of consensus with the residents of the former State-owned housing units was an essential precondition for the realisation of the project.

The residents had to be well-informed about the nature of tenants' co-operatives and about their rights and duties as well as about the programmes of rehabilitation and maintenance.

### The transfer of stock

The majority of the 1410 dwelling units around the 'Maxhütte' steel plant in Thüringen were built in the fifties and were in need of updating. Most homes, for example, still used old-fashioned coal stoves for heating. Few of the houses are prefabricated.



There were no outstanding debts on the homes, so the sale could take place without the burden of any existing mortgages.

As elsewhere in the former GDR, the steel works were liquidated following a takeover by the 'Treuhandanstalt' (THA), the State-owned liquidation authorities. Previously, 6500 workers had been employed there, but only 620 of those were able to stay on with the new company, ARBED steel works from Luxembourg, which bought some of the business from 'Treuhandanstalt'. The majority of the steel workers were made redundant or took early retirement.

All of the former GDR's housing stock which used to be linked to industrial complexes is now owned by THA and

---

\* Mr Schaefers is Chief of the Co-operative Department of Gesamtverband der Wohnungswirtschaft (GdW) in Germany.

will be privatised. Maxhütte has become a pilot project for such privatisation.

## **Becoming a Co-operative**

The tenants were all in a bad situation. They had lost their jobs and feared they might become homeless if privatisation were carried out in such a way that revenue from sales were the only consideration. In many cases sale to individual tenants is not possible, as their financial resources are inadequate.

Furthermore, some legal problems are involved in the individual sale of dwelling units. For this reason, THA contacted the German Head Federation GdW for guidance. GdW proposed a tenants' co-operative.

The 'green light' given by the board of directors of THA made it possible to take Maxhütte as a pilot project. Thus, it might be an excellent model for other State-owned housing in the former GDR, as well as in other Central and Eastern European countries.

## **The Co-operative Takes off**

92% of the tenants decided in favour of the co-operative solution. After such a clear vote negotiation started quickly with representatives of THA, the management of Maxhütte, and its works committee as well as the GdW.

Realistic conditions for the transfer of the housing stock had to be found. The price for the housing units, the sites and the share value had to be fixed. Together with lawyers and consult-

ants, as well as the regional federation in Erfurt, all details of the project were discussed, until a detailed timetable for the takeover could be settled.

Originally, THA had estimated a figure of 40 Million DM, which meant a cost of 28,000 DM per housing unit. It was finally possible to reduce the price to 20,000 DM per unit.

Co-operative shares as a financial tool So, the housing co-operative's capital had to be raised through members' shares (7,000 DM per dwelling). The economic concept of the co-operative had to cover the necessary renovation and maintenance work, which had been neglected for 25 years. Nevertheless, the rent will remain unchanged for the first 5 years, and this will be followed by moderate increases during the renovation work (4.33 DM/square metre to 5.67 DM/square metre per year, reaching 7.78 DM/square metre in 2003). So, 50 Million DM were needed for maintenance and renovation: 35,000 DM per dwelling.

## **Communication with Members**

Naturally, an investment of this size is not possible without outside capital. So, apart from 9 Million DM of its own capital, raised through the co-operative shares, 19 Million DM outside capital was necessary to buy the whole of the housing stock from THA.

The precondition for this was that at least 90% of the households had to agree to the relatively high share price of 7,000 DM (the average share in the former FRG is 1,500 DM per dwelling).

will be privatised. Maxhütte has become a pilot project for such privatisation.

## **Becoming a Co-operative**

The tenants were all in a bad situation. They had lost their jobs and feared they might become homeless if privatisation were carried out in such a way that revenue from sales were the only consideration. In many cases sale to individual tenants is not possible, as their financial resources are inadequate.

Furthermore, some legal problems are involved in the individual sale of dwelling units. For this reason, THA contacted the German Head Federation GdW for guidance. GdW proposed a tenants' co-operative.

The 'green light' given by the board of directors of THA made it possible to take Maxhütte as a pilot project. Thus, it might be an excellent model for other State-owned housing in the former GDR, as well as in other Central and Eastern European countries.

## **The Co-operative Takes off**

92% of the tenants decided in favour of the co-operative solution. After such a clear vote negotiation started quickly with representatives of THA, the management of Maxhütte, and its works committee as well as the GdW.

Realistic conditions for the transfer of the housing stock had to be found. The price for the housing units, the sites and the share value had to be fixed. Together with lawyers and consult-

ants, as well as the regional federation in Erfurt, all details of the project were discussed, until a detailed timetable for the takeover could be settled.

Originally, THA had estimated a figure of 40 Million DM, which meant a cost of 28,000 DM per housing unit. It was finally possible to reduce the price to 20,000 DM per unit.

Co-operative shares as a financial tool So, the housing co-operative's capital had to be raised through members' shares (7,000 DM per dwelling). The economic concept of the co-operative had to cover the necessary renovation and maintenance work, which had been neglected for 25 years. Nevertheless, the rent will remain unchanged for the first 5 years, and this will be followed by moderate increases during the renovation work (4.33 DM/square metre to 5.67 DM/square metre per year, reaching 7.78 DM/square metre in 2003). So, 50 Million DM were needed for maintenance and renovation: 35,000 DM per dwelling.

## **Communication with Members**

Naturally, an investment of this size is not possible without outside capital. So, apart from 9 Million DM of its own capital, raised through the co-operative shares, 19 Million DM outside capital was necessary to buy the whole of the housing stock from THA.

The precondition for this was that at least 90% of the households had to agree to the relatively high share price of 7,000 DM (the average share in the former FRG is 1,500 DM per dwelling).

So, a concept of good communication with the tenants was absolutely necessary. 'United better living' leaflets were distributed and the co-operative principles, e.g. of democracy, with all their rights and duties were explained.

Additionally, six weeks before the foundation of the housing co-operative, an advice office and telephone hotline were opened, where trained staff was ready to answer all questions raised by future members.

At the end of April, just a few weeks before the co-operative's foundation, four information meetings were organised, so that the project itself could be explained in detail to the future members.

By 25 May 1993, 75% of tenants had already decided to join the Maxhütte housing co-operative. 85% had accepted by the foundation day, so the concept as a whole was finally secured. Furthermore, 100 non-tenant households became members and the local authorities declared their willingness to take over 250 shares. This financial contribution of 300,000 DM was an indicator of the excellent collaboration between the housing co-operative and the local government.

### **New Projects Planned**

On the foundation day 1,500 persons became founding members and signed

the bylaws. This was a great success for the co-operative. Now, a second project is already underway. The steel works in Gröditz, with 1,100 housing units, is to be taken over by a tenants' housing co-operative. Other industrial branches are watching Maxhütte with great interest.

Each case has to be studied carefully. In many cases individual privatisation cannot be carried out. Then, a co-operative solution with the participation of the tenants is a good alternative.

### **Conclusion**

Housing co-operatives in those countries in the process of transition provide the opportunity for privatisation in the legal form of a co-operative. As co-operative housing societies are private legal entities with a special form of co-ownership, this concept needs the agreement of the vast majority of tenants in order to proceed. Furthermore, their financial commitment is required. Maxhütte showed that this is possible: if a good concept is well presented and politically supported.

This will hopefully encourage many other public bodies in Central and Eastern European countries to follow innovative and successful examples such as Maxhütte.

# Co-op Travelcare - A Case Study of Co-operative Success

by Michael Grindrod\*

The Co-operative Wholesale Society (CWS) has been in the travel business since 1905, when an excursion department in Manchester organised outings varying from a few hours to several days for employees and Co-operative Society Members.

Initially these were primarily by train, but motor coaches became increasingly important. Similar excursion departments followed in London, Newcastle and Bristol. The business grew steadily up until the Second World War, by which time the CWS was one of the biggest group holiday organisers in the country.

In 1946 the excursion departments were retitled Co-operative Travel Services, and in 1951, from their new head office in Regency Street, London, CTS were among the first to charter aircraft for continental groups - the birth of package holidays - offering holidays in Italy and Switzerland as 'Sun Flight Holidays'.

By now sales were being made to the general public, and a chain of retail



outlets developed which, by 1965, numbered 65: most of these were situated in-store in retail society premises.

Travel Group also managed the Travco chain of 12 hotels.

Through the 70s and early 80s it is fair to say that travel and tourism became something of a backwater for the CWS. Many in-store retail units were closed, and the hotels were sold off.

At the end of 1984 Co-op Travel operated 34 agencies and a tour programme to the Channel Isles, and organised a substantial volume of group holidays, both within the UK and overseas.

It never made much money, but once the hotels were sold it didn't lose a

\* Mr Grindrod is General Manager of Co-op Travelcare and chairs the International Co-operative & Associated Tourism Organisation (TICA).

great deal either. Now primarily a travel agent, it mirrored what was, compared with the rest of the British High Street, a fairly sleepy industry. The jet engine and the relaxation of exchange controls might have revolutionised the package holiday market, but prices were still fixed by operators who supplied all point-of-sale material. Retail price maintenance still reigned, and it was difficult to tell one travel agent from another.

It could reasonably have been asked, and indeed was, whether travel was really a business the CWS should be in at all.

In February 1985 the picture changed, when CWS accepted the transfer of the Royal Arsenal Co-operative Society, which operated a chain of 21 travel agencies.

CWS Travel Group now consisted of 55 retail travel branches with a retail turnover of £ 33.4 million, other travel services generating £ 2.15 million, and a staff of 276. At that time David Skinner invited me to move from another senior management job in CWS to become General Manager of the Travel Group.

At this time the industry itself was clearly entering a period of rapid change, stimulated in no small part by the initiative of another Co-operative Travel business: that of Ilkeston Co-operative Society. Ilkeston successfully challenged the right of major operators to fix prices, thereby opening up the possibility of real co-operation between retail travel agents.

The CWS determined to become a major and active player in this changing market. We set ourselves a number of positive targets for our first three years. They were to:

- \* Create a strong attractive retail identity. (We had been operating under 14 different trading names);
- \* Raise the standard, both of staff and facilities ;
- \* Introduce a central computer to help gain control and cut costs;
- \* Develop a high media and professional profile;
- \* Introduce discounting where appropriate;
- \* Seek new business opportunities and associations;
- \* Increase market share;
- \* Generate acceptable profits.

This was our clear strategy to lay the foundations of the business we relaunched in Spring 1986 as 'Co-op Travelcare'.

### **Did we Meet our Objectives?**

Well we have certainly grown. In 1984 we had 34 branches: now Travelcare runs 186.

Some growth has been by transfer of engagements to the CWS of other Retail Societies, starting with Royal Arsenal Co-operative Society in 1985, and more recently Greater Nottingham and South Midlands.

Some growth has been by the low cost acquisition of other travel businesses less well able to cope with the new and fiercely competitive environment.

Some by development of green field sites. And some by the provision of managed services - where we have helped other societies enter the travel business. We now have 18 bureaux on our managed service scheme.

### **What about Performance?**

There are several methods of measuring a travel agent's performance. We use three:

The first is the return on the capital employed within the business. From being a net drain upon the CWS in 1986, Travelcare now generates a very healthy return and, perhaps more importantly, is able by its positive cash generation to reduce CWS borrowings by an average of £ 14 million throughout the year.

Our second measure is market share, where our share of major operators turnover has grown from 1.2% in 1986 to 3.2% in 1993. More importantly, we can generate control information enabling us to compare our performance with that of our major competitors upon a week by week basis.

Finally, we continuously measure our productivity on both a company and a branch by branch basis. In 1982 our productivity per branch was greater than that of all but one of our major competitors.

We have made very successful use of the CWS Public Relations department to raise the profile of Travelcare both within the industry and to the public, generating substantially more media

exposure than could be supported by our relatively modest advertising budget.

Travelcare management and that of our fellow Co-operative Travel businesses have been active in industry matters and I was honoured in 1992 to be elected President of ABTA, a tribute to the esteem in which the Co-operative sector is now held within the British travel industry.

We could not, however, rest upon our success. In 1991 we commissioned a survey of the market place and we have used the results to help us establish the strategy for our next phase: developing, as opposed to establishing, Travelcare. We have a new look. An identity I believe will take us through the 90's as a modern company within the world's largest industry.

Combining the name Travelcare, as a now accepted travel company, with the Co-op Symbol underlining the security and quality of the organisation. Using the survey we have improved some of the fixtures and furniture within the shops and have slightly amended the colour scheme.

From the beginning, we have placed great emphasis on people and training. This has been a fundamental element in the success of Travelcare, and we see a great future in the industry for a well-trained and well-motivated sales force.

We plan to continue our expansion. The strategy for our next phase of development is for Travelcare to concen-

trate on expanding market share (to increase profitability) and to improve all aspects of service to customers.

We will:

- \* Introduce advanced technology at the point of sale;
- \* Promote specialist support areas (cruising - business travel - long haul flights);
- \* Forge even closer retailer/supplier relationships;
- \* Further improve facilities and training for staff;
- \* Work even more closely with other Co-operative travel businesses, both in the UK and abroad.

We are now entering another period of rapid change. Since the beginning of this year there has been a rapid and substantial move towards greater consolidation in the British travel industry. In particular, a move towards the vertical integration of tour operators and retail agents.

Thomsons, our biggest operator, has for many years owned Lunn Poly, our biggest travel agent. But in 1993 not only has Owners Abroad, the number two operator, become linked with Thomas Cook through cross shareholdings, but Airtours, our number three operator, has brought the second and fifth largest retail chains - Pickfords and Hogg Robinson.

The opportunities which now exist, not only for cut-throat competition,

but for predatory pricing and limitation of consumer choice will be obvious.

Fortunately the growth of Travelcare over the last seven years has been paralleled by that of other British Co-operative Societies. From our aggregate of under 100 Co-operative retail travel branches in 1986 there are now approximately 400, with a combined share of some 14% of the UK package holiday market.

This makes the Co-operative sector, on aggregate, the third biggest retail travel business in the UK. More importantly, it is the biggest UK-owned and independent travel business, uniquely able to offer the consumer service and advice unbiased by any tier of ownership by a major tour operator.

This is a genuine consumer advantage, in total accord with Co-operative principles which Travelcare and our colleagues in the UK Co-operative movement are working ever more closely together to exploit.

In a relatively short period Co-operative travel businesses in the UK have moved from a position of relative insignificance to that of a major player in the UK travel market. We intend to continue that growth and to continue to improve our levels of customer service in order to not only consolidate, but also to further improve our market position.



# Folksam and the Women's Market

by Katarina Apelqvist\*

How to increase market share by truly realising the co-operative values of equality and social responsibility?

As co-operators, I am sure we all dream of a business which helps people in the most need to make improvements in their standard of living. But we also dream about a business which gives us a respectable surplus. Because without such a profit we cannot continue to help people to take control over their own lives. These dreams are being fulfilled by Folksam, a Swedish co-operative insurance company.

Folksam was established 85 years ago. It provides general, life and reinsurance cover. Today it is Sweden's largest property insurance company and dominates the collective life insurance market. In 1992 the Folksam Group's Swedish companies had a premium income of almost 12 billion Swedish crowns (approximately 1.5 billion US dollars). Every other Swede has at least one insurance policy with Folksam. Folksam's operations are based upon close collaboration with the co-operative and trade union movements.



Throughout the world women are less financially secure, and subsequently have a lower standard of living, particularly when they become sick and old. This is also the case in Sweden despite the fact that 84% of all women aged between 20 and 65 are in paid employment.

For many years, work on improving women's financial conditions and security in Sweden has been fuelled by women activists. This has been supported by politicians, including a growing number of male politicians. A major problem has been that many women have been unaware of their lack of financial security until brutally confronted with it when they divorce, or become ill or old. They have insufficient knowledge about their legal rights and how to improve their financial security.

\* Ms Apelqvist is project leader of Folksam's unit for social research and chairs the ICA Women's Committee.

In line with the basic co-operative principles of equality and social responsibility, Folksam has been active in the field of equality between women and men for many years. It operates equality programmes within the company, in order to utilise all of its personnel's potential regardless of sex, and publishes documents and books by and for women. These aim to increase women's knowledge of finances and law, health and security.

In 1985 Folksam decided to make a conscious effort to focus on women as a direct target group for insurance sales. Emphasis was placed on Marketing, Channels of Distribution, Product Development and Increased Awareness within Folksam.

These efforts are of great importance today both from a financial business perspective and from the perspective of Folksam's image. For example, in 1985 Folksam's market share of newly-issued individual pension policies was 14.1% for women and 12.4% for men.

By 1990 the figures had changed considerably, with the company controlling 25.9% of the women's market and 17.4% of the men's. The most recent figures are from 1991, when Folksam was in receipt of 23.2% of the women's insurance premiums and 17.9% of the men's. The figures for 1991 look even more impressive when the statistics for Folksam's recently-opened subsidiary, Sparliv, which sells life insurance policies at savings banks, are brought into the equation. Together, Folksam and Sparliv had a market share of 43.2% (women) and 28.5% (men).

These figures represent a dramatic increase in the number of pension insurances sold to women. What has brought about such a dramatic increase in sales? The answer is both straightforward and complex.

New gender-specific marketing, based on Folksam's long experience of equality work within and outside the company, was introduced. The same experience was used to develop products of particular interest to women.

The real breakthrough came only seven years ago, when a part-time post was created to study and be in charge of the Women's Market. Today, Folksam has one fulltime female employee at a managerial level working with matters concerning the Women's market. This is a unique post in the Swedish insurance sector, and probably worldwide.

An analysis of the Women's market has been carried out and an action plan formulated, based on the following questions: 'If you want to focus on Women's needs, what will you change in the products you offer, how will you market them, and what kind of information/education will you need to do this?'

A wide range of approaches and activities have been integrated in order to gain more female customers. An important goal is to raise women's awareness of their financial situations and the degree of security which they have. They have to realise their need for improved insurance cover. This means that information and market-

ing initially cover women's finances in a broader sense and that sales efforts are targeted mainly towards different options within the field of pension insurance.

In 1989 Folksam introduced a collective pension insurance product, Members' Pension. The fact that this new insurance, due to its flexible structure and low cost, was of particular interest to women was pointed out in all marketing materials.

Women who had never before considered pension insurance decided to take out a Folksam Members' Pension. By the end of 1992, 86,467 women and 53,298 men had taken out a Members' Pension policy. The total premium income from women was 242,4 million Swedish crowns, and the premium income from men's policies was 147,8 million crowns.

On the whole, the number of female policy holders in Folksam is high, and increasing. The following figures show the development of women's share of overall insurance within some areas, from 1986 to the end of 1992:

Collective life insurance

52% - 60%

Individual life insurance

40% - 48%

Automobile Insurance

22% - 28%

### **New Ways to a New Market**

An important aspect of Folksam's marketing in the Women's Market is to reach women in ways other than

through traditional marketing. Examples of these methods are seminars and lectures on how to plan and manage personal finances.

Seminar goals are to:

- 1 identify women's needs for financial security;
- 2 stimulate the participants' interest in, and knowledge of, relevant legislation and agreements;
- 3 motivate the participants to use their rights and opportunities;
- 4 encourage participants to increase their financial security by using cooperative insurance and banking services;
- 5 urge participants to inform and motivate women colleagues, union members and daughters.

Seminars and lectures are given to different groups of women, often in collaboration with trade unions. Folksam representatives are frequently invited to visit external meetings to give overall legal and economic information.

The opportunity of getting in touch with Folksam's part-time agents for a sales call, free of charge, in their own home, is mentioned. All participants are listed and later contacted by agents.

Lectures are also held to inform Folksam's own organisation about women's situation in Swedish society and what Folksam does, and can do, to improve women's financial conditions. To continue its success within the Women's Market, knowledge and inspiration within Folksam are essential.

## **Advertising and Sales**

Market surveys show that women and men react differently to advertising materials. It is therefore essential that texts and pictures address needs and concerns with which women can identify. The materials must also be written in women's language.

Furthermore, Folksam has learned that women feel reassured by a female sales person and advisor. This is partly because women speak a 'different' language, but also because women have different backgrounds and experiences from men, and therefore see situations from a different perspective. This has led to the setting up of an all-women sales team in an on-going special project in the suburbs of the Swedish capital.

The team, in co-operation with those unions which have a majority of women members, reaches thousands of women of different ages. New approaches such as 'home-parties', and meetings held at workplaces and community centres during lunch breaks and evenings are used.

## **Trade and Idea Fairs**

Folksam also participates in major trade and idea fairs initiated by the Women Can Foundation, which was established by a group of gender-aware Swedish women in the early eighties. The idea of such fairs, drawing attention to female values and skills, is now spreading to other countries in Scandinavia and Europe. These fairs bring together hundreds of women exhibitors and tens of thousands of visitors. In 1988 and 1990 Folksam was one of the main sponsors for the Women Can

trade and idea fair. In 1992 Folksam participated as a minor sponsor, but with one of the largest stands at the fair. At these fairs Folksam also takes the opportunity to give lectures and seminars on women's financial rights and health problems.

The company's activities in the field of damage and injury prevention and rehabilitation are also presented. Participation in these trade fairs has given Folksam's female employees, now 55% of the staff, the opportunity to demonstrate the company's commitment to equality. Over 100 women from Folksam have been involved in each fair, managing the stand and arranging and participating in the company's seminars and lectures. Folksam has also arranged a large internal seminar at each fair, in which up to 400 female employees and a smaller number of men have participated.

## **Support for Female Employees**

The fairs and internal seminars are an important factor in stimulating women employees to develop in the company. These events also pinpoint the essential link between internal equality work and external marketing efforts in the Women's Market.

In the future it is important to involve more women in the marketing and sales process. Folksam tries hard to recruit women and has programmes for increasing the number of women in specialist functions and leading positions. Another crucial factor is training given to the sales force and the rest of the organisation in matters concerning the Women's Market.

Today, Folksam's overall business plan clearly states that the company's personnel and other resources should cooperate closely to provide a combined marketing effort in the Women's Market.

## Expanding Market

Folksam feels that its efforts to meet women's needs and gain a healthy percentage of the Women's Market have paid off. However, there is still much to be accomplished. After the recession the number of women within the labour market will increase again. Their financial status will improve and an increasing number of women will start their own businesses. Efforts must be made to cover this expanding market.

Continuous development of insurance products is an important ingredient for future success. Perhaps there is no such thing as a specific Folksam 'Women's Insurance', but that will be analyzed in depth.

Right now potential lies in making minor adjustments to existing products. Such adjustments will certainly strengthen the image of Folksam as the 'Women's Insurance Company' - the co-operative insurance company that develops and markets products on women's terms.

Recent research on women and insurance shows that Folksam was named most frequently among all Swedish insurance companies as the Women's insurance company. This would not have been possible without Folksam's history of long-standing dedication to a wide range of women's issues.

## Pioneer for Equality

In the early sixties Folksam carried out a pioneering study on men's and women's attitudes to promotion. The research resulted in an acclaimed external conference on equality, 'The right man and the right woman in the right job', and the book, 'Women's Promotion'.

In 1972 the company formed a committee consisting of employer and trade union representatives. Its task was to investigate how Folksam deployed its employees with regard to sex, age and training. Four years later the management decided to update the study and subsequently in 1978 Folksam got its first written programme on equality: the first full equality programme in the Swedish labour market. Folksam's most recent programme was published in 1989. It comprises affirmative actions in the spheres of Management, Recruitment, Wage Policy and Training/Development.

Folksam thinks that it is very important that the goals are reasonable, measurable and distinct and that there is a timetable, a deadline when the goals should be reached. The deadline for this programme is 1995 and The results are followed up at Folksam's Annual General Meetings.

**Job-equality: a strategic marketing tool**  
In 1992, as a result of more than 30 years of work, Folksam was awarded 1st prize for furthering equality between women and men in the workplace by the Swedish Equal Opportunities Ombudsman and the largest Swedish business magazine 'Veckans

affärer'. It was stated that Folksam's activities from managerial recruitment to finding solutions to everyday problems illustrate that Folksam is a pioneer in the work for equality between women and men in many areas.

Without this internal equality work Folksam's success in the Women's Market would not have been possible. Knowledge gained about the differences between women's and men's terms, values and experiences has been invaluable. The equality work has given Folksam's work in the Women's Market credibility.

There are, in fact, three explanations for Folksam's position in the Women's Market:

1. equality work within Folksam - giving experience and credibility;
2. opinion-building and supplying information through books and con-

ferences in collaboration with Women's organisations - establishing an Equality Profile;

3. gender-specific marketing efforts.

Another significant factor for success is that research in Sweden has shown that women are more inclined to do business with co-operative organisations.

In conclusion, no matter what co-operative sector you work in there are many opportunities to create business in the Women's Market. By meeting women's needs on women's terms you will realise the dream of creating a business which helps those in need to improve their standard of living. You will live up to the basic co-operative principles of equality and social responsibility. You will also ultimately fulfil your dream of a business which earns a respectable surplus.

# Creation of Jobs through Workers' Co-operatives - the Italian Experience.

by Alberto Zevi\*

The venture that I am going to describe was conceived in Italy at the beginning of the last decade. This was a period troubled with increasing unemployment but also one in which public resources allocated to unemployed were required to be used more "productively".

The premises behind the measure that began to be implemented at the end of that decade were as follows:

- workers who had been removed from productive employment were generally well-qualified, experienced and professional people;
- in many cases they were willing to start a new business venture together with some of their colleagues;
- the vast majority of these workers, however, did not have the necessary capital to start a company and found it very difficult to obtain loans from financial institutions;
- at the same time, an unemployed person can cost the Government a great deal of money;

\* Mr Zevi is Vice-President of CFI (Compagnia Finanziaria Industriale) in Rome.



- the Government not only loses considerable income (such as taxes and National Insurance contributions both from the worker and from the company), but its expenditure is also increased by having to pay unemployment benefit.

If a sum of money equivalent to several months' unemployment benefit was given to the workers, or better still to the companies that the workers would run, and if these resources were sufficient to start a new and vibrant company, then the outcome would be more positive:

- the workers would no longer be unemployed;
- their professional expertise, business skills and experience would not be lost;

- the Government would be able to control its expenditure and possibly reduce it altogether.

This was the thinking behind the Marcora Law.

The Italian legislator, however, was aware that the founding of new companies (and new co-operatives in particular) could be a complicated business and as a result, the original idea was framed within an important set of rules and conditions.

So that the venture can be fully understood, I shall describe the methods envisaged.

Law n° 49 of 1985 provided for two funds as follows:

- one fund was to make loans (with a lower rate of interest than the market rate) to workers' co-operatives formed on the initiative of workers who had been removed from productive employment;
- the other fund was to make contributions to special financial companies. These companies had to use the contributions to invest in workers' co-operatives, formed by unemployed workers.

It is this second type of intervention that has truly novel aspects.

By using resources from the second fund, the financial companies could underwrite an amount of share capital in the new co-operatives in proportion to the capital put up by the workers (up to three times as much). There was

a limit, which was the amount of unemployment benefit allocated by the Government to a worker over a three year period.

For example, if a new co-operative was formed by unemployed workers and each worker put up a minimum of 2,500 dollars, the special financial companies could underwrite capital to the value of 7,500 dollars per partner. In this way, if there were 10 partners, the new company would be founded with a share capital of 100,000 dollars. Consequently, a new company could be founded with sufficient capital and, provided that it was based on a sound entrepreneurial idea, it could create confidence on the part of banks, customers and suppliers.

A more detailed explanation of the system is as follows:

- workers who have been removed from productive employment and who are going to form a workers' co-operative comprised of at least 80% unemployed workers and whose objective is to buy, in part or in full, a company which is bankrupt (or in crisis) or to develop an alternative activity, can approach the afore-mentioned financial companies to underwrite the capital of the co-operative, to the value of three times the capital put up by the working partners.

The Law also provides for legal entities (that is, other private or co-operative companies, other financial companies etc) to invest in the co-operatives up to a maximum holding of 25%



of the total capital. This has proved particularly important in practice.

### Conditions for Membership

- a) each worker has to put up a minimum capital of 2,500 dollars (which roughly corresponds to 25% of the average cost of a worker in industry for one year);
- b) 50% of the capital has to be paid immediately, with the remainder being payable in two years;
- c) the working partners will not be eligible for any other form of income or benefit from the welfare system for a period of three years. In other words, if the co-operative closes down after two years, the

working partners lose their right to unemployment benefit for one year.

- d) after three years, the working partners have the right to buy the shares owned by the financial companies at a price equal to their nominal value;
- e) the financial companies cannot sell their shares before three years;
- f) financial companies can be formed by recognised co-operative organisations and at least 80% of the capital must be owned by other workers' co-operatives.
- g) the workers must submit a technically feasible business plan with a good chance of success.

### Results

The results obtained by CFI to date can be seen in the following table:

	1987	1988	1989	1990	1991	1992
Applications	79	112	134	150	160	171
Participating Co-ops	2	10	41	61	84	95
Holdings (in millions of \$)	1.5	5.8	19.1	30.3	39.8	44.2
Sales (in millions of \$)	9.5	35.3	150.0	199.8	225.8	220.0
Persons in work	138	514	1,841	2,358	3,055	3,403

There are currently 105 participating co-operatives with just over 3,700 persons in work.

Most of the co-operatives operate in the industrial sector.

Sales figures show that the co-operatives have been very successful in finding a market niche.

Clearly, not all experiences have been successful. Of the 95 co-operatives participating at the end of 1992, six decided to close down because of losses. However, the percentage of failures to date has been very low. On the other hand, some co-operatives have achieved such good results that several purchase bids have been made.

### Reasons for Success

Firstly, the combination of restrictions and incentives has been of particular importance:

- by tying the investment of capital by financial companies to the capital put up by the partners, workers are encouraged to make larger commitments with their own resources;
- the financial commitment of the workers added to the fact that they are disqualified from obtaining unemployment benefit for three years, encourages them to study their business plans in greater depth;
- the relatively large capital required to form a co-operative gives the co-operatives credibility and ensures that they can enjoy relatively good relations right from the start with banks, clients and suppliers.

Secondly, the results described are also due to the fact that in many cases, co-operatives have taken on legal entities as partners, as provided for by the Law. This has been particularly beneficial in that it has given the co-operatives access to expertise that the workers may not have had, such as company management and organisational skills.

Thirdly, it has proved essential that money is not given directly to the co-operatives (by grants for example) but is given instead to the special financial companies formed by co-operative organisations taking on the role of partners. This mechanism has enabled all of the experience gained by the existing co-operative movement to be fully utilised when forming the new co-operatives; it has also eased the entry of the new co-operatives into the networks that are growing up around the various types of co-operative. At the same time, the financial companies have been able to acquire valuable experience and this is resulting in fewer mistakes and a more comprehensive advisory service for the co-operatives on many problems associated with business management.

If the co-operatives are successful, the financial companies can also grow, especially if they have a dividend and if circumstances encourage the sale of shares.

Inevitably there have been problems, particularly at the beginning of the venture. We and the co-operatives have all made many small mistakes and also some larger mistakes. If we

knew then what we know now, we could perhaps have prevented some of the co-operatives from closing down. Experience shows, however, that, important as it undoubtedly is, it is not enough simply to have the necessary capital or a high credibility with banks or customers; it is the behaviour of men and women aiming to manage a company that is the most important factor. If exceptionally strong conflicts arise between them, or if they fail to agree on particular duties or responsibilities (irrespective of the fact that each person has a vote in the assembly), or if they are unable to understand how a

company should be organised, then the company is destined, sooner or later, to closure.

It is for this very reason that as a financial development company we are highlighting the importance not only of capital but also, and most significantly, of the human factor which is the actual driving force within a co-operative.

For more information please contact:  
Compagnia Finanziaria Industriale S.c.a.r.l.  
(Industrial Finance Company)  
Via Vicenza, 5/A - 00185 ROME  
Tel: (39-6) 4440284 - Fax: (39-6) 4451766

# NTUC INCOME, Singapore - Strategies for Success

by Hans Dahlberg\*

Singapore is an island republic in South East Asia with an area of 640 square kilometres. It has a population of about 2.7 million and per capita income of S\$22,800.

In the late 1960s, Singapore was beginning its struggle to become a thriving trading and industrial centre. Economic transformation was necessary if Singapore were to survive as a small independent nation with no natural resources except for its growing multi-racial population.

The promise of greater political stability following Singapore's independence encouraged many workers of immigrant descent to settle permanently in the country. As economic growth was dependent on the contribution of these workers, it was necessary to recognize their socio-economic needs.

At that time, the trade unions affiliated to the National Trades Union Congress (NTUC) had a total membership of 96,000, which represented 17% of the labour force. The political and



economic climate was just right for the labour movement to embark on a modernisation programme that would help the nation gain more momentum for progress. As its workers were the country's only asset it became imperative that their interest should be protected and looked after.

In November 1969 the National Trades Union Congress convened a Seminar on 'The Modernisation of the Labour Movement'. Many socio-economic problems were addressed and, for the first time, the development of the co-operative movement by the trade unions in Singapore was mooted. The then Minister of Finance, Dr. Goh Keng Swee, presented a paper entitled 'The Basic Strategy for Rapid Co-operative Development' in which he outlined four important principles:

---

\* Mr Dahlberg is Chief Executive Officer of the International Co-operative & Mutual Insurance Federation (ICMIF), in the United Kingdom.

- i The Co-operative must be fully competitive with private enterprise.
- ii The labour movement should develop co-operative enterprises in which it would have a built-in advantage.
- iii The highest standard of integrity must be upheld.
- iv The co-operative must have effective management.

Dr. Goh also suggested that an insurance co-operative could provide a sound financial base from which the labour movement could build other co-operatives.

The idea of setting up an insurance co-operative was received with great support and enthusiasm. There was an obvious long-term need for social and financial security amongst workers, and this was not being met by private insurance companies. These private enterprises catered only for the higher income group, their premiums being too expensive for the working class. As a result only 3% of the population was insured in 1970.

### Growth of NTUC INCOME

NTUC INCOME's premium income (for life and general insurance) and total assets over the past 22 years are as follows:

	Premium	Assets
	S\$m	S\$m
1972	1.7	2.5
1982	33.0	120.0
1992	370.0	1,208.0

These were the conditions under which the trade union movement founded NTUC INCOME in 1970, following its historic seminar of 1969. The initial paid-up capital of NTUC INCOME was S\$1.2M (US\$760,000), subscribed mainly by the NTUC and its affiliated unions.

Since commencement of business in 1970, NTUC INCOME has grown to become a leading life and general insurance company. This growth may be attributed not only to the effective management of the company but also to the pioneering spirit and hard work of the trade unions and the workers which they represent. The same may be said of the growth and development of Singapore.

Singapore's economy has performed well during the past few years. For the second quarter of 1993, it registered a 10.1% growth in its Gross Domestic Product (GDP). Growth for the whole year is expected to be between 7.5 and 8%, exceeding the earlier projected growth of 6 to 7%. Growth was spear-headed by the manufacturing and financial and business services sectors. Productivity increased by 7.2% in the second quarter.

The growth rates during this period were:

	Premium	Assets
1972-81	36.5%	50.2%
1982-92	27.3%	26.0%

INCOME's share of the Singapore market, measured in premium income was:

	Life Insurance	General Insurance	Overall
1972	1.2%	N/A	0.3%
1982	9.7%	1.7%	5.1%
1991	12.9%	6.6%	10.3%

In terms of premiums and assets, NTUC INCOME is the third largest insurer in Singapore.

### Progress from 1987

For the first 16 years of operation, the emphasis was on efficient administration. This has helped to provide insurance to as many people as possible at an affordable low cost. A wide range of life and general products are offered at a price that is generally lower than the competitors.

The main components of the strategy adopted by INCOME from 1987 can be summarised as follows:

- focus on providing quality service,
- develop products to meet market needs,
- focus on improving productivity, and
- look for continuous improvement.

### Quality Service

The emphasis on quality service started around 1987. Several sectors of the business community began to empha-

size quality service as a competitive edge. It was also found that, in general, customers are prepared to pay a higher price for quality. The increased affluence of the population also played a part in the rising expectations of consumers.

It was decided that it would be a good strategy to promote quality service, even though this will initially incur additional costs. The ways in which this is to be achieved are:

- staff training,
- standards of service,
- staff involvement,
- communication.

The training of staff has always been emphasised. In 1990, NTUC INCOME enrolled on a company-wide programme conducted by a national organisation called the Service Quality Centre. Staff at all levels were trained

in the delivery of quality service. INCOME was among the first enterprises in Singapore to embark on this training programme.

Amongst others, standards were established regarding the time taken to settle different types of claims, to answer enquiries and to service a walk-in customer. These standards are not only set: they are also monitored.

INCOME believes that it is important to actively involve the staff in improving quality of service. Since 1987, they have had an active programme of quality control circles which are called work improvement teams. All the staff are involved in team activities, and they meet each month to discuss ways of improving their work.

INCOME actively communicates with its staff, representatives (agents) and policyholders through regular newsletters. It finds this to be effective in cultivating the loyalty of staff, representatives and policyholders.

### **Product Innovation**

In recent years, the market for insurance products has widened quite significantly. Insurance is now being sought for individuals other than the traditional breadwinners and there has also been demand for insurance against illness and for investment-linked policies.

In response to these changes, INCOME introduced policies to cater for the specific needs of these groups. These new policies introduced have made an important contribution to the rapid

growth of the life insurance sales in recent years. The ability to provide policies to meet the needs of the market will continue to be an important priority for INCOME.

### **Productivity**

The increased productivity of administrative and sales staff enables INCOME to offer services at competitive prices. Its expense ratio has been significantly below the insurance industry average throughout the past 22 years. This has been possible because of the lower commission rates paid to its agents and smaller management expenses due to efficient administration.

INCOME also stresses the importance of improving the sales productivity of its representatives, who are provided with basic training to help them acquire basic knowledge in sales, insurance and products prior to their appointment. After appointment, the representatives are strongly encouraged to attend continuing training programmes, both in-house and external. Courses include marketing workshops, specialised products and skills development.

There is strong emphasis on training to build up the confidence and image of the representatives, many of whom are part-time agents from the trade unions.

The office also provides a high level of support to representatives. This includes printing quotations, the distribution of computer reports, and access to the main computer to store and view client information, etc.

Importance of Trade Union Network  
In 1970, the NTUC INCOME Development Organisation (IDO) was formed as the link between NTUC INCOME and all the trade unions affiliated to the National Trades Union Congress.

The role of the IDO was to represent INCOME's interest in developing sales opportunities within the union movement and other related organisations. Through the auspices of the IDO, INCOME was able to recruit on a regular basis, part-time sales representatives from the unions, which were encouraged to nominate their members as our organisers. Sales commissions were paid by way of small honorariums, and the resulting savings in cost could eventually be translated into higher returns for policyholders. The IDO has enabled INCOME and the trade unions to pool their resources of technical expertise and manpower to propagate the concept of co-operative insurance.

Through this unique arrangement, NTUC INCOME was also able to maintain its operational expenses at a rate over 10% lower than the industry average.

Various training programmes organised by INCOME were implemented through the IDO to train and educate the organisers. The unions also established their own INCOME Development Committees to assist the IDO in its effort to recruit and motivate the organisers through sales contests, campaigns and promotions.

In 1970, there were 164 trade union members involved in the sales activities of NTUC INCOME. By 1991, the number had increased to 2,260.

#### Growth in No. of Sales Organisers

Year	Organisers
1970	160
1980	730
1990	2,160
1991	2,260

Over the years, although sales activities were also carried out by a small pool of full-time sales representatives, the volume of sales generated by the organisers continued to form the major bulk of the business. Currently, their contribution is about 60% of sums assured. This is shown in the table below:

#### Sales Contribution by Organisers in Sums Assured

Year	Total Sale		Sale by Organisers		% of Contribution by Organisers
	S\$M	(US\$M)	S\$M	(US\$M)	
1988	1,187	748	784	494	66
1989	1,130	712	881	555	78
1990	1,419	894	930	586	66
1991	1,594	1,004	960	605	60



## Other Contributions

The support of the unions in providing NTUC INCOME with a strong team of sales representatives contributed substantially towards the sales growth. INCOME has the advantage of a large and ready market base because of its association with the trade unions and the network of union branches and delegates established within the same base.

To tap this market, insurance plans which catered specifically for the needs of the workers were designed and promoted. Every effort was made to keep premiums low and affordable. The insurance plans also included attractive benefits which were made possible through the co-operation of the National Trades Union Congress. For example, all NTUC INCOME policyholders were entitled to subsidised dental treatment at NTUC dental clinics. They could also become members of other co-operative societies established by the NTUC, such as a consumer co-operative called NTUC Fairprice which gives rebates to its members on their purchases. Other benefits enjoyed by policyholders included discounts at NTUC leisure resorts and childcare centres. A radio station operated by NTUC has also assisted in generating publicity for NTUC INCOME. New schemes beneficial to policyholders are constantly being evaluated, with active contribution from the trade unions.

NTUC INCOME has also introduced various insurance plans with attractive incentives and low premiums, specially for trade union members and

their families. Such policies, which include medical, term, personal accident and welfare schemes, have become very popular. Some unions have taken up these insurance plans as benefits for their members. They have also succeeded in encouraging many employers to include them as employee benefits.

## NTUC INCOME's Social Commitment

The objective of NTUC INCOME was to encourage thrift and self-help through low cost co-operative insurance. As a co-operative society, the business profits of NTUC INCOME could be distributed to its policyholders in the form of bonuses.

INCOME had been able to achieve its objectives because it has never lost sight of its social obligations and co-operative principles. Its success, however, must be attributed to the tremendous support and effort of the trade union movement. In recognising the social needs of workers at large, the trade unions tirelessly promoted the benefits of insurance and brought it to all strata of the society. They formed the task force behind the sales activities of NTUC INCOME and will continue to be a key feature in its sales strategy.

## Continuous Improvement

INCOME believes that it is always possible to make changes in order to achieve better results. As mentioned earlier, staff are involved in work improvement activities and make suggestions to improve the work systems. In addition, new technology and new methods are also examined to see if

they can be applied to improve the present systems.

### **National Awards**

INCOME's efforts to improve productivity and quality of service have been recognised at the national level.

In 1988, NTUC INCOME won the National Productivity Award. It was the first insurer to win this prestigious award for its efforts in productivity, computerisation, training and staff participation.

In 1989, it won the National Training Award in recognition of the quality of training of its insurance agents.

In 1992, it won the National Outstanding QCC Organisation Award in recognition of its promotion of the quality control movement in Singapore.

### **Conclusion**

INCOME believes that these strategies will help to ensure long-term competitiveness. Much work is required to see through the successful implementation of these strategies. This has required the commitment of management and the concerted effort of those at all levels of the organisation. It also needs to be sustained over a long period of time.

Although the insured population has increased over the past two decades, there is still a large section of the population which is not insured. The need can never be eradicated and NTUC INCOME is now faced with the challenge of expanding its social role as it continues to work with the labour movement and sustain a mutual commitment to improve the quality of life for all workers in Singapore.

# Will Watkins Celebrates 100 Years

by Roy Garratt\*

On Sunday, December 5, 1993, the Grand Old Man of Co-operation, William Pasco Watkins, was 100 years of age. Born a mere 50 years after the foundation of the Rochdale Pioneer Society and two years before the formation of the International Co-operative Alliance, Will Watkins has seen the worldwide Co-operative Movement grow to heights undreamed of by the Rochdale Pioneers.

Scholar, administrator, author, lecturer, linguist, diplomat, Mr. Watkins is truly a Renaissance man in an age of narrow specialism. Thousands of Co-operators from all over the world have tapped his wide-ranging knowledge and great wisdom in attempting to resolve the problems and challenges which have faced their organisations in one of the most turbulent centuries in history.

Mr. Watkins was born in Plymouth in 1893 and as a youngster studied in classes organised by the Plymouth society which he joined at the age of 16. His father was an eminent co-operator and young Will accompanied him to co-operative meetings of all kinds. There he met such co-operative giants as Edward Owen Greening, pioneer of co-operative productive societies,



William Maxwell, Scottish co-operative leader, J. C. Gray, whose ideas of a national co-operative society are again being debated, and Thomas Blandford, another great pioneer of co-operative productive societies.

Will trained as a teacher and gained a London University degree in Philosophy and Economics. After service in France during the first World War, he took up a research scholarship offered by the Co-operative College, Manchester, and the Co-operative Reference Library, Dublin, to study the relations between the consumer and agricultural co-operative movements in Britain. In 1920, he became a tutor at the Co-operative College and published his first book - a translation of Poisson's "Co-operative Republic".

\* Mr Garratt is the Curator of the Rochdale Pioneers Museum.

Later, in collaboration with College Principal Professor Fred Hall, he wrote a classic work - "Co-operation" - which for 25 years was the Co-operative Union's official textbook on the subject.

In 1929 he joined the International Co-operative Alliance to help to edit its publications and direct the International Co-operative School. From 1940 to 1946, he worked on the editorial staff of the Co-operative Sunday newspaper "Reynolds News".

Then came a dramatic development in his career - he was appointed Adviser on co-operative organisations to the British element of the Control Commission for Germany.

As an intermediary between German co-operative organisations and the military government, he took a leading part assisting the rehabilitation of retail co-operatives, the restitution of their property, the reconstitution of their central federations and the re-establishment of the Central Co-operative Bank. When his service with the Commission concluded, he was retained as Adviser by the new German Co-operative Movement.

Returning to Britain, he was appointed in 1951 as Director of the International Co-operative Alliance, serving 12 years and retiring in 1963. These were strenuous years for the ICA when ideological struggles between the Western and the Communist countries reached a climax. Will Watkins played an outstanding role in keeping the Alliance together whilst at the same time insisting firmly on adherence to basic co-operative principles as a criterion of membership.

In 1959, the great service Will had given to the German Movement was recognised by the Federal German Republic which awarded him the Grand Cross of Merit.

Will has been just as active in the service of Co-operation since his so-called "retirement". Co-operation has been his life and it is little wonder that for many years Co-operators made their way to his charming home in the village of Long Compton, Warwickshire, to seek his advice, tape-record his reminiscences, persuade him to speak at weekend schools or write articles.

It caused something of a sensation when it was learned that the 90 year old Will was preparing a book on Co-operative Principles but that it was not the Rochdale Principles he had in mind. To him the Rochdale Principles were not really principles but very good practical rules arising from the "real" Co-operative Principles he would define in his book. Such a book was indicative of the man - a co-operator not willing to kowtow to tradition or dogma but prepared to be innovative and even somewhat irreverent in his thinking.

When the book "Co-operative Principles - Today and Tomorrow" appeared in his 92nd year, it was greeted with acclaim and became a co-operative best seller. It was soon translated into Spanish, Finnish and Japanese.

Will is now living quietly and happily at a nursing home in Oxfordshire. Visitors continue to comment on the centenarian's youthfulness of spirit and acuteness of observation. As he looks out from his window onto the Oxford-

shire countryside, what a galaxy of memories must course through his mind. He does not need to read about the Co-operative Movement in the days of hansom cabs and gas lamps - he was there and actually experienced the co-operative life of those times! Then again he was still busy writing and teaching on the advantages and problems of Co-operation when spaceships were being built and Neil Armstrong set foot upon the moon.

Will does not see Co-operation through a golden haze of nostalgia and sentimentality. He is a realist to the core and does not take the Movement for granted.

Looking to the year 2000, Will thinks that Co-operation will survive but only if you add a caveat to that assumption. "I will not use the future tense, he declared, "It will survive but you must add the word 'if' and not just assume it will". Many of the difficulties the international Co-operative Movement is facing and will face are of its own making, he adds, by postponing necessary tasks and indulging in exasperating complacency.

He says that the Rochdale Pioneers displayed an extraordinary dynamism, boldness and breadth of vision in developing the Co-operative Movement. That same get-up-and-go spirit must



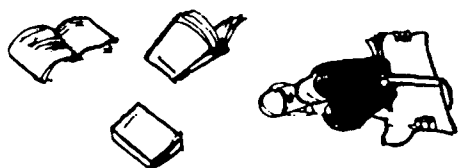
be displayed by the Co-operators of today if their Movement is to enter the 21st century with any prospect of success.

But whilst not resting on the Movement's laurels, we in turn can point to its many achievements and beneficial influence all over the world in the past 100 years. Will Watkins' contribution to making those achievements and that influence a reality has been outstanding throughout his long working life.

## **Review of International Co-operation 1994 Subscription**

The annual subscription rates for the ICA Review and News have gone up to CHF 72.- mainly to balance the enormous increases in postage rates. The subscription includes three issues of the Review presenting in-depth articles on vital developments within the co-operative movement and the Annual Report which offers a yearly update of the work in the Secretariat, Regional Offices and Specialised Bodies. For the same price you will also receive six issues of the ICA News, giving the latest information on the activities of member organisations and co-operatives worldwide.

Please note that payment can now be made by credit card (Visa or Euro/Mastercard only) as well as by bank transfer to the Co-operative Bank in Geneva (Account No: 284043.450090-2).



# Book Reviews

## Training for Co-operative Leadership

*A Study of SCC's International Co-operative Seminars, 1962-1983 published by the Swedish Co-operative Centre, 103 pp, ISBN 91-972181-0-3.*

From 1962 to 1983, the Swedish Co-operative Centre (SCC) conducted a series of International Co-operative Seminars (ICS) in Sweden. Participants were board members and staff of co-operatives in Africa and Asia. Altogether 512 co-operators from 36 countries benefited from the training scheme which was implemented in collaboration with ICA's regional offices in those regions.

Having received numerous requests to revive the training programme, the SCC decided to carry out a study in order to ascertain its impact on co-operative development in the two regions in general and on co-operative leadership in particular. The terms of reference also called for an assessment of present and future needs for such training, and of SCC's role in this process.

The sources of information included available documentation and statistical data on the seminars. In addition, two evaluation seminars that brought together previous participants were conducted in collaboration with ICA's regional offices.

The study, which was recently published by the SCC, traces the origin of the ICSs to the ICA Congress in Stockholm in 1957 which highlighted the need for assistance to co-operative development in developing countries. The need to streamline ad hoc arrangements for study visits to Sweden, and the "Without Boundaries" Fund which made the leadership training programme financially possible, also contributed to the decision to launch the programme.

Although interpreted and applied differently over the years in order to increase the relevance and effectiveness of the programme, the original objectives remained unchanged throughout the duration of the programme; i.e. leadership development, co-operative networking, and technical assistance mobilization.

What makes this study particularly interesting is that it covers a period of over 20 years. The changes in the programme in terms of participants, contents, methods and purpose thus also reflect prevailing thoughts and changes in "development thought" (one of the

reasons for its eventual discontinuation was that such courses went "out of fashion" in donor circles").

Adjustments were made in the programme to increase its effectiveness and relevance. These adjustments were based on feedback and suggestions from participants and counterpart organisations in the field, particularly through the increased collaboration with ICA's regional offices. The fact that SCC continually acquired new experience and knowledge of the conditions for co-operative work in developing countries also affected the programme.

One such change was a shift from the early rather ethnocentric approach which was not unusual among donors at the time, (the title of the first seminar was "Swedish Co-operation"), to an increased emphasis on relating the Swedish experience to conditions in the participants' countries. In recent seminars the participants consequently prepared Action Plans that were submitted to the authorities on the return to their home countries.

Other modifications pertained to the programme design that went from the general to the more specific and from the academic to the practical. The seminars also became gradually shorter, and there was an increased participation of women.

After having dealt with the major trends and developments in the seminar series in terms of objectives, programme design, teaching methods, etc., the study sums up the results or

impact of the training programme. It on these findings that it finally bases its recommendations for the future involvement of the SCC in leadership development.

The study cannot provide clear cut answers to questions about the exact impact the seminars have had on co-operative development in the participants' countries. There are far too many other variables that influence co-operative development for such conclusions to be drawn. Neither is it possible to determine whether alternative ways of spending the money would have yielded better results. However, the study concludes that there is reason to believe that they did have an impact at least on the participants and their organisations.

The study also states the case for more leadership training, and suggests that the SCC should revive its support to this programme which should be designed as an integrated part of local plans and strategies pertaining to organisational development.

The study presents a wide range of data/information that provide interesting reading for people and organisations that are involved in co-operative training. That there is a tremendous need for leadership training especially in these days of turbulent change, no-one can deny. This SCC study shares with us valuable experience and information that may improve the design of future programmes.

Jan-Eiric Imbse