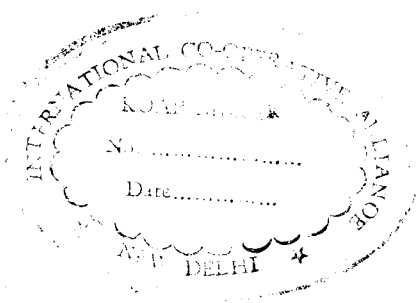


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69th

International Co-operative Day

Saturday, July 6 1991

Solidarity with Eastern & Central Europe

As countries in Eastern and Central Europe are slowly and painfully, but resolutely, making the transition to the market economy, co-operatives in these countries are having to fight for their existence in an atmosphere charged with prejudice and misconceptions.

Unfortunately, the name co-operative has, in many minds, become inextricably linked to the political and economic system based on totalitarianism and the planned economy. While it is true that the co-operative movements in the former Eastern Block adapted to these regimes and managed to survive by helping to serve state objectives, their roots, in fact, date back to the turn of the century.

Now that co-operatives no longer have to serve state objectives, they are able to revert to their more legitimate purpose of serving the interests of their members. Co-operatives in Eastern and Central Europe wish to return to their roots and also catch up with the co-operative movements which have evolved in a democratic political environment. They are looking to their co-operative colleagues in the rest of the world for models of efficient and democratic co-operative management.

But, although the new emphasis in the region is on the capitalist free market the Eastern European countries should not slavishly copy everything in the West. They should be able to learn from previous experience, thereby avoiding the excesses of the free market system. The co-operatives themselves should be wary in order to avoid some of the problems encountered by the western co-operatives in recent years.

The co-operative movements in Bulgaria, Czechoslovakia, the eastern part of Germany, Hungary, Poland, Romania and the USSR can look to the ICA Co-operative Development Programme for Eastern and Central Europe for support in their efforts to adapt and expand in their new political and economic environments. The Programme also aims to promote the development of mutually-beneficial contacts between co-operatives from the east and west, many of which have already begun.

The Programme seeks to achieve these aims through the organization of regional and national training seminars on issues of importance to the region's co-operatives, by creating a data bank and acting as a clearing house for information, and by providing advice to organizations and governments wishing to promote co-operative development in the region.

ICA encourages its world-wide membership to help the movements in Eastern and Central Europe by exchanging experience with them at meetings of ICA's Central Committee and its Specialized Organizations, by increasing commercial and training agreements with co-operatives in Eastern and Central Europe, and by supporting the ICA's own Co-operative Development Programme. ICA is deeply convinced that the co-operative movement can help these countries return to democracy and build a society which is both economically efficient and socially just.

Eastern & Central Europe

Problems and Perspectives

by Lars Marcus*

At the request of the co-operative leaders in Eastern and Central Europe, the International Co-operative Alliance arranged a meeting in Stockholm on February 18-19 1991 to enable the movements in Eastern and Central Europe to exchange information on recent events and discuss continued collaboration between their co-operatives.

Many things had changed. Just to give a few examples, co-operatives in East Germany had become part of one of the toughest market economies almost overnight. In Poland, the new government had dissolved the national and regional structure of its old co-operatives, while in Czechoslovakia the movements had found themselves in a fierce fight for co-operative property.



* This article was prepared by ICA President, Lars Marcus, for the *Centrosoyus Review* and for publication in the daily newspaper *Izvestia*.

The meeting was a good one. Talks were open, realistic and directed towards essential problems. Business was done and a decision to meet again was taken. To my pleasure and surprise, all participants understood and underlined the necessity of future collaboration. I found personal reason for satisfaction.

A month after being elected President of the International Co-operative Alliance in 1984, I attended the Congress of Centrosoyus where I realized that, for quite a few years I would probably have to face the challenge of serving members in a situation that would become chaotic before it normalised.

During the years that followed, I travelled to all Comecon countries, excluding North Korea, and to most of them more than once. I have not only addressed their different co-

operative assemblies - boards, congresses and jubilees - but also spoken with a great number of government officials, politicians of various parties and reformers both inside and outside the co-operative movements. I have conveyed a double message. We have to convince the reformers that co-operatives are not part of the past; they can serve in all sorts of socio-economic systems. They also make market economies more efficient by adding the alternative of an economic democracy which has actually been proved to work.

To co-operators, including those of the USSR, I emphasised that, when the strings of government planning are loosened, there is only one way to act. The needs of the members will have to be the guide. Initiatives which anticipate a development towards market economic solutions have to be taken. Co-operatives have to show excellent performance. Member relations must improve through better communications. Co-operative opportunities, as well as problems, have to be discussed openly and honestly, with both members and staff. Only then can the necessary funds for co-operative expansion be created. There is less room for delay than ever, because the train might leave without co-operators aboard. And co-operative change must be forcefully presented to the public.

In this perspective, the meeting in Stockholm gave reason for satisfaction. Progress was made but the efforts to be better have to be even more intense than before now that it is clear that the co-operative too can change.

When my colleagues from Centrosoyus approached me in Stockholm and asked if I would make my observations and ideas on co-operatives public through an article, I was initially hesitant. I am sick of those who enter the arena, offer their advice and then leave without taking any responsibility. Almost instantly, however, I understood that I was actually being offered a modest but continued participation in a process aimed at

strengthening co-operatives in the USSR. Naturally only members and elected leaders can show and tell how this can be achieved. My task should be to share the experience of those who live under conditions somewhat similar to those now emerging in Eastern Europe. And in this vein I offer the following:

Co-ops and Politics

This heading does not indicate a discussion on the advantages and problems of socialism, liberalism or any other form of political ideology. Rather, I want to underline a few simple truths about co-operatives, often neglected, hidden or forgotten although they are basic.

It is the political power that has the overall responsibility to the people. This power is exercised by legislative and administrative means. The degree of decentralisation of power can be different; not only do we find planned economies and market economies but also, and increasingly so, various forms of mixed economies.

Co-operatives are created by individuals in certain sectors of the economy to solve their economic problems. Working conditions are provided by the political power. In that sense the co-operatives are subordinate to the political power. However, in order to make their contribution to the national economy, co-operatives need independence. Their members know what they need and should be given responsibility.

It can be easily observed that the political power in any system often makes the wrong interpretation of how its overall national responsibility should be exercised. This is especially the case when it comes to decisions regarding their co-operatives. Privately owned enterprises, where success is measured only in profits, can easily adapt themselves to crises. They can move into another line of business or to another area. They can also close down. Co-operatives, on the other hand, are created for one segment of the economy, for a special geographical area or a special group, and for years to come.

Co-operative strength comes from the membership rather than from other assets. When our own power to decide on co-operative business is reduced, the result is always increasing indifference from members. No better examples of this have been given to me than in East Africa.

In Tanzania, when the Government saw that its administration did not bring the expected efficiency to the villages, it decided from one day to the next that roads, health care, schools

and almost everything else should be under the control of the village co-operative. Its members were never consulted about this. Then they discovered that "the co-operative village" gradually came under the control of another membership, i.e. the party. Of course this development was later much regretted by those who had initiated it - but too late. Co-operatives lost member confidence and, in the process, the strength that had made them so attractive to the Government for undertaking wider tasks.

I should add one thing to avoid misunderstanding. Co-operatives cannot isolate themselves from political life; on the contrary, co-operators should be active, but they should also understand the essential difference in membership and loyalties. It is difficult to sit on two chairs at the same time but it is necessary to understand society as a whole to be able to serve co-operative members best. Once, when one of my friends expressed thoughts on behalf of trade unions at a co-operative board meeting, we told her that she had been elected by the co-operative congress and was expected to serve its needs rather than those of any other assembly.

Co-operatives and Competition

To serve the economic interests of members well requires efficiency. This can be achieved by better techniques, harder work, better discipline, etc. - and such achievements have to be controlled and compared.

It is necessary from any co-operative's point of view to measure the results that are produced, because good results bring satisfaction and pride to those involved - members as well as employees. The dominating economic system is based on profit on invested capital. This liberal market economy has, as we well know, many disadvantages. The power of money in the hands of the greedy leads to consequences that cannot be accepted - monopolies, cartels, exploitation, pollution and, on a supranational level, wars and disasters.

The mixed economies have for this reason become increasingly dominant where there is democracy. Here, the political power tries more or less successfully to counteract the imperfections of the market. One of these protective measures has been to create or support pluralism in the economy. Evidence of this is given in co-operative legislation.

Co-operatives, created to serve members, are genuinely different from profit-oriented enterprises. Owned by local people, governed by democratic bodies, they cannot achieve their economic targets in the same way as those which are just out for quick profits.

On the other hand, co-operatives have to be measured by their performance. A market with competitors provides opportunities for such comparisons. Long ago, one of my co-operative mentors said, in a public speech, that he certainly enjoyed the hot breath of his competitors down his neck. My first reaction was negative. I had unre-

alistic ideals of altruism and unselfishness when I was young. Later I found that he was right. Co-operators, too, must try to be the best.

In the market economy, there is only one way to be fairly sure of survival. Not only do you have to be among the best, you have to constantly try to become better. You have to look out for innovations. You have to be clear about what is your main business and what is just a side-line. You must make use of advantages your competitors do not have, for example membership, and foresee your own weak points.

You must also understand that, in one respect, co-operatives are not different - in the end, superiority does not come from ideology and ideals but from hard work and good market response.

Co-operatives on a Global Scale

The co-operative family today counts more than 600,000,000 members and their families under the umbrella of almost 200 ICA member organizations. It is a fast-growing family.

Our origin is to be found in industrialised countries. Today, however, the majority of individual co-operators live in Eastern Asia, while our fastest growth is in Latin America.

To serve its membership, The ICA has a head office in Switzerland and regional offices in India, Tanzania, the Ivory Coast and Costa Rica with project offices in Australia, Botswana and Argentina. Equally important is the

collaboration between members within the same sector in specialised organizations for consumers, farmers, fishermen, workers, housing, insurance, banking and tourism, amongst others. The ICA forms a network for collaboration between co-operatives. It is, at the same time, a developer in the Third World. Among other tasks that should be mentioned, it represents its members in the UN world.

Some of its members are extremely strong, some very weak; they may be old and mismanaged but they may also be young and promising. Success comes from hard work, seldom by chance!

Problems in Eastern Europe

When someone has been in power for long, people generally get tired and want a change. The setbacks of the Eastern planned economy have added to this. When the lid blew off the kettle, the guilt was easily identified. Everything of the past was bad. Everything in the outside market economy was to be copied. Lack of proper knowledge added to the mistakes that followed.

"No, you must be wrong", said a prominent Polish trade-unionist, "the farmers in the United States have not organized themselves in co-operatives." "Co-operatives were good in the 1920s and 30s but are part of the past", said a voice that belonged to a well-known economic reformer in the USSR.

Step by step, this picture is changing. As I said initially, I see the co-opera-

tive movements in Eastern Europe changing from the role previously assigned to them inside the planned economy to preparing themselves for the new era. The economic scope of this process is so wide that any assistance from the outside is like spitting in a blast-furnace.

Acts of friendship and solidarity have, however, been frequent and the number of joint ventures seems to increase side by side with political stability. It is only to be hoped that the situation will turn stabilise as soon as possible.

A special problem here has been the government to government support to economic reform. We, who are outside Comecon, can influence our governments in favour of co-operative development. At least part of the huge sums made available in Western currencies should go to co-operatives, but the new Eastern governments have so far shown little support.

The ICA has taken on the role as information centre and identifier of needs and opportunities. We too are only strong through our members. I should also mention the ICA seminar on new co-operative legislation which took place in Prague in December 1990 and ICA collaboration with ILO in other such seminars.

Perspectives

As the 1980s drew to a close, many of us thought once again that the future was bright. My parents had also thought so in 1918 and I myself in 1945. The detente in the 1970s gave new prom-

ises which seemed to be met by the perestroika and the disarmament talks. Now we have had the Gulf war and a number of ethnic conflicts to remind us of the continued need for a careful evaluation of the future. One particular aspect is the waves of immigrants that threaten weaker economies.

As I write this, tens of thousands of Albanians have been on the move to Italy. This just adds to what is taking place in Africa, Latin America and Asia. We need a global policy on human rights to enable people to stay in their own countries and live well where they were born. The consequences of the intellectual drain that threatens the Third World are terrifying, but the development and strengthening of co-operatives in Eastern Europe is also a part of the fight against forces that have given

the impression that the grass is greener and tastes better on the other side of the fence.

This world is not a good one for most people, and co-operatives have to give a significant contribution towards making it better.

The ICA has existed for almost 100 years; it was founded in 1895. While other major NGOs have failed to survive in times of conflict, e.g. socialists, trade unions, the co-operatives never gave up. No co-operative movement succeeded in dominating the other. Co-operators were all equals. This gives us an answer to why today co-operators worldwide do not only worry but also care about what will be the final results of economic reforms in Eastern and Central Europe.

New Union for Czechoslovakia

by Ivan Fidler*

The 11th Congress of the Central Council of Co-operatives was held in Prague at the beginning of October 1990. It decided to change the previous council into an organization of societies and unions named "Co-operative Union of

the Czech and Slovak Federal Republic", which will rigorously defend co-operative interests. The main task the new union set itself was to represent the needs and interests of member organizations vis-à-vis government and other bodies both at the federal level and in international relations, in co-operation with member societies; to take charge of the preparation and

* Dr. Fidler is Director of International Relations at the Co-operative Union of the Czech and Slovak Federative Republic.

further training of co-operative officials and workers, with the help of the Central Co-operative School; to develop activities according to agreements with member organizations; and to set up a reciprocal information system. The assembled delegates stated that the co-operative movement is an expression of the interests which enhances the abilities and resources of private individuals. They stressed that co-operatives in the new Republic and the bodies that represent their interests are becoming stronger thanks to the development of further unions. They noted that co-operative societies were progressively developing into genuine defenders of co-operatives' interests and that the Co-operative Union, whose first assembly of members followed on from the 11th Congress of the Central Council of Co-operatives, was developing into an organization of co-operative unions and associations.

During the Congress the Minister of Finance, Mr. Václav Klaus, took the floor. He emphasized that economic reform was accelerating dramatically, but that no measures that were being prepared jeopardized the co-operatives. He expressed his conviction that, on the contrary, economic liberalization left scope for a revival of the co-operative movement, as it removed a whole series of distortions by creating uniform economic conditions for private, government and co-operatively-owned property.

A rare foreign guest at the Congress was the President of the International Co-operative Alliance, Lars Marcus.

When asked how he assessed the situation of the co-operatives in Eastern Europe and what the International Co-operative Alliance was doing to support them, he answered, inter alia: "We must view the situation of the co-operatives in Eastern Europe in conjunction with political developments in those countries. I can detect a certain danger in the fact that they are regarded as part of the past, for they did have close links with the political and economic system. It is, therefore, necessary for them to regain their original mission, which means that the co-operatives have to exist for their members, for their economic development". He further stated that the International Co-operative Alliance has some financially strong members with a wealth of experience. Several consultations had already been held in 1990 about how to utilize both to help the co-operative movement in the Eastern European countries. He said that formerly the co-operatives had been integrated in the planned economies of the Eastern European countries. This was no longer the case and now co-operatives would have to operate under completely different conditions. And it was precisely for this purpose that they could utilize experiences from other European countries. "We already have a territorial council for Africa and Asia", he said. "We would also like to create a similar forum for Europe in view of the specific topical issues facing the co-operative movement in this area."

During his stay in the CSFR, Mr. Lars Marcus was received by the Czechoslovak Prime Minister, Mr. Marian

Calfa. At the meeting, which was also attended by the President of the Co-operative Union, Mr. Ota Karen, it was noted that the Czechoslovak co-operative movement had a good history and good traditions, especially from the pre-Second World War period and, in the view of Prime Minister Calfa, they also had a good future. The meeting stressed the idea that people would join forces in co-operative organizations not only in order to meet various needs, but also to jointly create work opportunities and ways of furthering them.

We asked Mr. Ota Karen, the newly-elected President of the Co-operative Union, what the concept of a "return to Europe", which today was being bandied about in the CSFR, meant to him: "We are happy that we have good personal contacts with representatives of co-operative organizations in a number of highly-developed countries," he said. "To us the concept of a 'return to Europe' in the context of the co-operative movement means the strengthening of these contacts, the establishment of further links and active participation by the Czechoslovak Co-operative Movement in the further development of those ideas which presided over the inception of the movement worldwide. As regards economic co-operation, which in my opinion has the greatest chances of success, I would like to say that the Co-operative Union is above all beginning to play the role of an initiator and coordinator of foreign contacts in this

field. As a result of the transition to a market economy, direct economic co-operation by co-operatives and co-operative enterprises with foreign countries will increase and new co-operative ventures will be established in collaboration with our foreign partners, in addition to housing and production co-operatives and co-operative societies. Here in particular, a broad field of action will be opened up for international co-operation, co-operation which must also be economically productive. I am thinking here not only of co-operative finance, but also of such projects as establishing pharmacy co-operatives, based on a suggestion made by representatives of the Belgian co-operatives. In the present complicated stage of our economic development we are approving every project, every form of co-operation and support that strengthens the economic independence of the co-operative movement in our country. Such co-operation will certainly be productive for all the partners involved."

The creation of the Co-operative Union in the Czech and Slovak Federal Republic signifies a final break with the negative symptoms seen in the past in the co-operative movement and opens up new opportunities for the movement in a society that is developing politically and economically. The co-operative movement wants to combine the best traditions with everything that appears to hold promise for the future.

Co-operative Theory

The Basic Values of Consumer Co-operation

by Kalevi Suomela*

The unspoken assumption throughout the history of the ICA has been that the movement's members are united by certain common basic values. It has been assumed that, despite their different fields of operation, working environments and practical tasks, co-operative societies around the world have, due to their common basic values, sufficient aspects in common to give the co-operative movement a uniform character.

Why has a discussion on basic values now become topical? The explanation is to be sought in the changes that have taken place in recent times and in the operational environment.

The discussions on basic values in the 1930s and 1960s, which preceded the adoption of co-operative principles at the 1937 and 1966 ICA congresses, had



a profound influence on moulding the identities of the co-operative movement and individual co-operative societies.

These discussions gave co-operative society managements and members a clear and straightforward answer as to why and for whom the societies existed, and how they should operate in order to fulfill their basic tasks.

In the 1980s many individual societies and the international movement suffered from an identity crisis. At least, identity became blurred and

* Mr. Suomela is the Secretary General of the Central Union of Consumer Co-operation KK, Finland. This paper was written for the ICA Consumer Committee plenary meeting held on 19th September 1990 in Madrid.

management and membership confused over basic objectives and operational principles. Simultaneously many societies experienced an economic crisis. And even in successful societies member relationships loosened to such an extent that one could talk about member alienation.

This, to my mind, is part of the reason why the international co-operative movement now feels the need to consider fundamentals, i.e. the basic values of co-operation.

The question of basic values and co-operative identity can, and should be viewed from a positive point of view, as an opportunity for the movement and individual societies. A clear understanding of the movement's tasks and role in society, and a reasonable uniform view of the basic values that guide operations, will create for it a strong sense of identity and give it the best foundation for success in increasingly competitive conditions.

I wish to focus my analysis on consumer co-operative organizations for the simple reason that this is where I have worked for the past thirty years. To simplify the analysis, I will divide the study of basic values and related problems into three areas:

- The institutional basis of co-operative societies;
- their administration; and
- the principles guiding their operations.

This division may appear artificial because societies and their activities form a totality. For analytical purposes, however, I hope it is justified because it helps create a synthesis and provides a complete picture of the fundamentals of consumer co-operation.

Institutional Basis

Consumer co-operatives are based on open and voluntary membership, on equality in the sense of one member, one vote. The society thus has a membership that comes into being when a member joins, and if s/he wishes to leave the society, s/he simply resigns.

The most common form of enterprise in market economies is the joint-stock company, which is not an association of persons like a co-operative is. Primary to the institutional character of a joint-stock company is its capital, which is divided into freely buyable and sellable shares. A joint-stock company has owners.

The primary element in a co-operative society is membership. Institutionally speaking, its secondary elements are personnel and capital, though both are of vital importance in practice.

As the society grows in size, the ability of members to recognize themselves as a collective weakens. Also outsiders tend to see the society as an entity consisting mainly of personnel, in particular management, and capital. Among managers there is an increasing tendency to see members as one, often marginal, interest group, and not as the society itself.

Once the bonds of membership have slackened, some societies have tried to revive member ties by referring to members as owners. This is to be viewed as part of the general change in values that has occurred in many countries during the last decade. Ownership has become a desirable objective among ever widening circles in society.

Talk of member-owners is also connected with changes in the finance markets, which has led certain societies to develop investment shares, similar in character to joint-stock shares, in order to secure capital. Acquisition of investment shares does not even necessarily involve becoming a member of the society.

One of the oldest principles of co-operation is the recommendation to minimise the payment of interest on capital. In particular, this can be read to mean the basic share that gives both membership and voting rights, so membership emphasises the motive of using the society's services, rather than the investment motive. Thus, according to this way of thinking, the primary interest in membership is the advantage of the society's services and not interest on one's capital contribution.

How this is compatible with the system of investment, without disturbing the egalitarian association of persons, is a question well worth discussion. The decisive question, in my own opinion, is that of voting rights. If investment shares are non-voting, they can be considered as one system of managing the society's capital flow

and whose existence in no way changes the character of the society as an open association of equal consumers.

Capital also tests the character of societies in another way. For sometime co-operatives have owned joint-stock businesses outside their main areas of operation. This has been considered quite normal and no one has seen anything strange about it. In order to facilitate the acquisition of additional capital, and perhaps for other reasons too, certain societies in recent years have begun to convert their main lines of business into joint-stock companies. If this process is taken to its logical conclusion, the original operational co-operative society will change into a holding co-operative. Business operations will thus be transferred to a joint-stock company owned by a holding co-operative as the majority shareholder. To what extent such a holding co-operative can fulfill the tasks of the original consumer collective depends decisively on the operations of the enterprise and its culture. There is a growing danger, however, of forgetting the original member-service objectives and replacing them with an attitude based solely on the thought of profit on invested capital.

In summary: Institutionally, the consumer co-operative society is an open association of consumers, whose primary purpose is to serve its members. The role of capital in the society is to further this purpose.

What kind of basic values can one see that speak on behalf of this kind of organization? It is above all based on

the belief that a great number of consumers wish to band together to fulfill their conscious objective of collaboration in support of their own economic interests. Equality and solidarity are considered integral to this collaboration. Through it consumers wish to avoid profiting at the expense of others. The benefit obtained through joint effort is shared equally among all of them.

Administration of Societies

In accordance with the principles of co-operation, the administration of co-operative societies is to be democratic. Democracy means the principle whereby all members have an equal right to participate in administration. In practice this is the member and vote principle.

When a society is small the implementation of democracy is seldom problematic. The usual system is that members are provided with an annual opportunity to meet to hear the report of the past year's activities, discuss the main objectives of the forthcoming year, and elect a representative body from among their midst to supervise the activities of the managers.

When a society grows it is necessary to adopt indirect forms of democracy which may usher in certain problems. The number of members participating in society meetings falls, or such meetings are not held at all, and elections to the administrative bodies are based upon a similar system to that used in local government.

This leads to a situation whereby the majority of members gain their impression of the society and its activities from the information published by the society and its interest groups. The main question here is does a member get the idea that he and the other members are in a co-operative society as a consumer whose needs determine management objectives.

A society may have been established by an interest group (like a political party, religious group or trade union), in which case members will never completely become the subject of their society's administration. In other words, members will accept as legitimate the idea that administrative power in the society belongs to the relevant interest group.

This problem has normally only been discussed in cases where the state is the godfather of co-operation. It is, however, a wider issue for it ultimately concerns the autonomy of the co-operative and the strength of its own culture.

Strong ties with an external interest group need not necessarily be problematic if that group respects the society's role of satisfying the needs of its members, and has no other designs. The problems begin (especially when the society becomes affluent) if the interest group considers it has a right to the wealth of the society.

In these situations a contradiction arises in administration between the interests of the members and those of the

corporative interest group. This contradiction may be reflected in relations between members' representatives or - perhaps more usually - as an inner contradiction in the minds of the representatives, which leads to inefficient administration, lacking clear, basic criteria for its judgements.

On the basis of the above, the genuine fulfillment of co-operative democracy requires a co-operative culture that stresses the autonomy of the society and the member's role as a consumer.

In addition to outside hegemonic interest groups, the democratic process may be suffocated by the difference between the values of members and management. This is particularly true if management has not adopted a special co-operative culture, but is guided by the general values of the business world. This usually prevents a frank exchange of ideas between management and members or their representatives, and turns the administration in the eyes of management into an unpleasant formality and in which discussion is at cross purposes. It should be required that management be the main supporter of the culture promoting the member's role and the autonomy of the society. If it is desired that co-operation practises out democracy, then a culture stressing co-operative values should be sufficiently common to the main interest groups - the members, their representatives and management.

The Guiding Principles

Of the existing principles of interna-

tional co-operation, three can be considered as guiding the operations of co-operatives: the disposal of the surplus, educational work, and mutual collaboration between co-operatives. It is an unwritten principle that co-operative operations are guided by the member's interest and that this should be primarily realised through dealing with the society, ie. when the member purchases his everyday requirements from the society. This principle is implicit in the principle governing the disposal of the surplus, and it is most clearly stated in the preamble to the 1966 Congress report. Should not this, therefore, be explicitly included among the principles of international co-operation?

Put simply, a co-operative society exists for its members, and this is how it should remain. But is there sufficient discussion about what the member's interest is at the operative level?

One can list several of the practical values which a co-operative should observe in its business operations: honesty, reliability, favourable prices, good quality, etc. All these values are included in the norms which consumer protection legislation sets on trade in different countries, as well as the ever growing demands the consumer movements set for consumer protection.

Consumer co-operation should proclaim itself as a consumer's movement. Not necessarily or primarily in the sense that it functions as a pressure group in consumer politics - though this role also suits the societies and

their central organizations - but that it makes the most advanced consumer standards its own.

This relates to the much discussed question of efficiency as a co-operative value. The same applies to the most ordinary measures for business success in co-operation. They are all usable as long as it is remembered why, and what kind of services the society is to produce for its members. Only by being extremely efficient can societies satisfy their members' expectations in conditions of increasing competition. In this sense efficiency is undeniably a co-operative value.

In certain countries, the excessive "seriousness" of co-operative consumer educational work and trading policies has been dubbed paternalistic. This should be avoided as it appeals to an ever smaller group of consumers.

If co-operatives expect to be in the front line of the consumer movement, they should allow consumers to determine the quality of products and set the standards for what they want. At best, a society is a discerning consumer collective, but it should avoid trying to be cleverer than its members.

The principle of mutual collaboration between co-operatives expresses not only the value of solidarity, but also that of efficiency. In the world of the 1990s the importance of inter-co-operative collaboration will grow at the national, and even more so at the international level.

The sense and meaning of the principle of education lies in the realisation that the various collaborating groups: membership, administrative bodies, management, personnel should always be on the same "wavelength". In other words, these groups should basically have a common view of the purpose and operations of the society, as well as sufficiently correct and relevant information about the society's operations, in order to be able to independently assess the realisation of its objectives.

In place of education, or parallel to it, one should emphasise the importance of well-managed information services to the society. The information needs of the various participating groups are different. Most groups in the majority of societies receive abundant information. One that is often forgotten, or falls victim to one-sided market-oriented information, is membership. A member who is conscious of the purpose and operational principles of his society is, however, the foundation stone of co-operation. Information services must not ignore or underestimate the member.

It should also be noted that, due to the open nature of consumer co-operation, information directed to the members and to consumers as a whole (ie. the general public) is often identical. It is difficult to imagine a specially knowledgeable co-operative membership without all consumers knowing at least the basics of co-operation.

Values of Consumer

Co-operation

In the light of the above, the basic values of consumer co-operation can be summarised as follows:

- **The member, the member, and once again the member;**
- **Members' needs** (a co-operative society is a service organization that exists for the satisfaction of its members' needs; the society's field of operation is not the essential factor, as co-operatives can be established to satisfy a variety of needs, but it is natural that they try to operate in those fields that satisfy such basic needs as eating, clothing, housing, etc.);
- **Open membership** (a co-operative society is for all consumers; it is stronger and provides better services if more consumers using its services join);
- **The informed member** (members know why the society exists and what are its principles of operation);
- **Membership as the only legitimate basis for administration** (a co-operative society is an autonomous collective composed of individual members; the principle of democracy is observed in its administration);
- **Co-operative society autonomy** (a society has a uniquely conscious and self-respecting culture of its own, which stresses that the needs and expectations of members form

the only legitimate basis for its operations and resists having the society used for other purposes);

- **Services that fulfill consumer standards** (the services of a co-operative fulfill the most progressive consumer standards: this does not mean that it has to be the cheapest, but that generally it tries to sell with the most favourable price-quality relationship);
- **Operational efficiency** (a society should so arrange its activities that it does not waste resources, but rather maximises their benefit; greater efficiency is sought through inter-co-operative collaboration both nationally and internationally).

What Does the Future Hold?

There exists a school of thought, also among co-operative managers, that considers consumer co-operation to be such a special corporate form that it can have no future.

This school prefers to stress that conditions at the beginning of the century allowed for the mass-mobilisation of consumers and the formation of capital by co-operative means. Now, it is said, conditions have changed.

Nevertheless, consumers throughout the world are more conscious and willing to defend their rights than ever before. Also, the ability of consumers in many countries to amass the required amount of capital is greater than ever before. The question concerns the will to organize consumers

into co-operatives. The opportunity and challenge exist.

Seen next to capital-intensive enterprises, the co-operative is a unique structure. This should be realised. It functions according to a different logic than, for example, a joint-stock company and its values are different.

During this century, co-operatives around the world have demonstrated through their activities and growth that co-operation has a real potential and is a viable form of enterprise in practice.

The cultures of our social systems are becoming increasingly pluralistic, as seen in the coexistence of different values and value systems. Not everybody has to believe in co-operation. It is enough for some to believe. If a sufficient number of people believe,

societies will be established and co-operation will have a guaranteed future.

The correct way to react to people in co-operatives who doubt the viability of the co-operative form of enterprise may be not to argue, but to suggest that they might be in the wrong organization.

Co-operation has long passed the time when it believed it held the universal solution to the organization of business life. Yet it would be a fatal defeatism to imagine that it no longer contains any solution to it.

Consumer co-operation is a form of enterprise of direct benefit to its members and also plays a significant role in improving the whole market. Co-operation will live as long as there are those who believe in it and the values it represents.

Past Debates in the ICA

1930s Debate on Co-operative Principles

by Rita Rhodes*

Another Time Another Place

At present the ICA is carrying out a review of Basic Co-operative Values. Similar exercises were undertaken in the 1930s and the 1960s. On each occasion various factors were brought into play, but important among them was the fact that the Alliance was likely to have changed in the intervening years as a result of developments in its member movements and changes in the international environment. This capacity to adapt may well prove to have been a significant factor in the Alliance's survival, but it presents problems when we consider the organisations' underlying philosophy because this is derived from a specific place at a specific time. Both the Alliance's philosophy and its Rules have been based on the principles advanced by the Rochdale Pioneers' Society established in 1844.

Another complicating factor in reviewing those principles is that, for many years, little or no distinction was made between the philosophy behind the principles, such as equality and fraternity, and the practices to which they



gave rise. The issue was also blurred by the fact that, for many decades, the principles seemed capable of transference not only in Britain but through Western Europe and even beyond. And, as they proved eminently appropriate for what was then the most successful form of co-operation, consumer co-operation, their suitability for other kinds of co-operative was hardly questioned.

The European Consumer Influence

The large mass-member consumer co-operative movement made up the bulk of the ICA's membership before the 1939-1945 World War. When the first examination of Rochdale's Principles was undertaken, the Alliance was still essentially a European movement, although Argentina, Canada, India,

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Japan, Palestine, Persia (now Iran), Turkey and the USA had representation within it. Consumer co-operative movements predominated, with the British movement paying £2,073 in membership subscriptions in 1931 and Centrosoyus of the USSR, £2,760. The next highest contributors were the consumer movements of Germany and France, paying £514 and £387 respectively.

Under Rules amended at the 1927 Stockholm Congress, no country or union of countries could exercise more than one-fifth of the total votes at Congress or have more than 14 representatives on the Central Committee. Earlier, at the 1924 Ghent Congress, Centrosoyus had argued that it should be allotted two places on an Executive increased from seven to nine members. But the argument presented by Henry May, Alliance General Secretary, that the Central Committee should elect the Executive from an international, rather than a national, view point had prevailed. In this way, the numerical and financial might of the British and Soviet movements was constitutionally and, for the most part, amicably contained within the Alliance.

Principles or Practices?

It is perhaps not surprising, therefore, that questions about the continuing appropriateness of the Rochdale Principles did not arise before the 1920s. In 1925 there had been an important debate in the Alliance about its political neutrality, prompted by its first geographical pressure group, the Scandinavian and Baltic co-operative movements.

But the first comprehensive review of Rochdale was not initiated until the Vienna Congress of 1930.

It began with a French move. A resolution proposed by the French National Federation of Consumer Co-operatives called for a Special Committee to enquire into how the Rochdale Principles were applied in various countries and, if necessary, to define the Principles. In proposing the motion, A. J. Cluet, France, reminded Congress that the principles were almost a hundred years old, yet no definitive statement of them existed. Consequently, he feared that different movements were interpreting them in different ways and considered that it was desirable to reach agreement on a contemporary interpretation.

While British delegates did not oppose the resolution, J. J. Worley, speaking on their behalf, suggested that there was a confusion over what were fundamental principles and what were co-operative practices. He argued that the principles themselves were clearly reflected in the ICA Rules, while the British thought that a paradox existed in the proposal to hold an enquiry into how the principles were applied in different countries. How would it be possible to ascertain this if the principles themselves had not first of all been determined.

An almost immediate illustration arose. Speaking on behalf of Centrosoyus, I. I. Kirievsky said that the system of paying dividend in proportion to purchases had been abandoned in the USSR in favour of the collective utilisation of the surplus for common

purposes. The reason had been that the payment of dividend was seen as a capitalist principle which led to the poorer members, who were the ones least able to buy, receiving the least return.

A factor that we should perhaps note in passing was that during the 1920s and 1930s, Communism, Fascism and Nazism were all attempting to re-define co-operation within their own political creeds. Kirjevsky's intervention provides one such example.

With Soviet support and no outright British opposition, the French proposal to appoint a Special Committee was agreed by the 1930 ICA Congress. To implement the decision the ICA Executive agreed that it should form the basis of the Committee but with widened representation by inviting Dr. A. Suter (Switzerland), M. Rapacki (Poland), Dr. G. Mladenatz (Romania), Prof. Salcius (Lithuania), J. Ventosa Roig (Spain), E. Balogh (Hungary) and Dr. J. P. Warbasse (USA) to join.

The Rochdale Influence

To prepare for its work, Henry May, General Secretary, sent a questionnaire to all 58 ICA member organizations. Its purpose was to find out how they applied "the Fundamental Principles of the Rochdale Pioneers" and contained some 37 questions, organised under six main headings: Voluntary Co-operation and Open Membership; Democratic Control - One Man One Vote; Cash Trading; Dividend on Purchase - Elimination of Profit on Price; Limited Interest on Capital; Political and Religious Neutrality. Replies were received from 47 ICA

members and it was thought that the numerical and general importance of the remaining organizations did not notably detract from the conclusions which could be drawn. Linked to meetings of the Executive, the Special Committee met seven times, in Strasbourg, Prague, Geneva, Barcelona, Brussels, Vienna and Miramar d'Estrel, between February, 1932, and January, 1934. At its first meeting it asked the General Secretary to prepare "an objective memorandum" based upon the original rules and constitution of the Pioneers' Society and other existing documentation. Following this instruction, May visited the Rochdale Society, where he studied their "ancient archives", and spoke with the daughter of James Smithies, one of the original pioneers.

Such direct and personal Rochdale influence, still just possible in this review, was hardly likely to be repeated in future ones. Further indirect Rochdale influence also came through the British Co-operative Movement, although in the coming debate it was to show that it had moved on from Rochdale in some respects. But May could report to ICA President, Vaino Tanner, Finland, that he had proposed certain amendments to the draft report in the knowledge that they were strongly supported by the British Co-operative Union. Personal representations by the British movement were also facilitated by the ICA secretariat being based in London. May was further to write to Tanner that R. A. Palmer, General Secretary of the Co-operative Union, had called to see him to express "the strong objections of the

Executive of the Union to . . . amendments concerning inalienable reserves and assets”.

Further British influence resulted from Henry May's invitation to Thomas William Mercer, the eminent Co-operative thinker and writer, to prepare two articles which appeared in the Review of International Co-operation in September and October, 1931. It is interesting that these did not so much re-state or justify the existing principles but treated them as practices and went on to identify the concepts behind them namely: Universality, Democracy, Economy, Publicity, Unity and Liberty.

Rather surprisingly, the Special Committee does not seem to have dwelled too long on the distinction that Mercer made. Instead, it came down heavily in favour of re-stating the basic Rochdale Principles as being: Open Membership, Democratic Control, Dividend on Purchase, Limited Interest on Capital, Political and Religious Neutrality, Cash Trading, and Promotion of Education. In its report to the London Congress, 1934, the Special Committee derived each of these from specific rules of the Rochdale Society, and concluded “that no modification of the Rochdale Principles is either necessary or desirable”. Moreover, it stated that: “In those countries where a departure from the Rochdale Plan for Consumers' Societies of Distribution has taken place, either on grounds of helping the poorer citizens or of keeping pace with modern methods of business, the changes have not been justified....”

The Special Committee's report prompted a vigorous debate. Historically interesting, it provides insight into how Co-operative Principles were perceived in the Alliance sixty years ago, and reflects how the intellectual leadership of the ICA shifted between different co-operative movements at different times. In the beginning it was undoubtedly with the British and the Rochdale tradition. Later, during the first three decades of this century, it shifted to the French with figures such as Prof. Charles Gide, Albert Thomas, Ernest Poisson and Georges Fauquet. In the 1920s, a Swedish influence grew through co-operative theorists such as Anders Oerne, and Albin Johansson. Such influences were not exclusive, but complementary and overlapping. And all were evident in the debate on Co-operative Principles at the 1934 Congress in London. For example, it will be recalled that it had been the French who had proposed the setting up of the Special Committee.

The Need for Change

In the actual debate, two particular Principles, those of Political and Religious Neutrality and Cash Trading, proved to be stumbling blocks to the acceptance of the Committee's full report. The British delegation moved reference back of both, arguing that each was a practice rather than a basic Principle. Their co-operatives were having to function in an increasingly planned economy which was producer and not consumer oriented. Political action had become necessary to protect the consumer interests of the Co-operative Movement. As far as cash trading was concerned, the British

found that their two wholesalers conducted 99 per cent of their trade with their retail members on the basis of credit and so felt unable to vote for a Rule in the Alliance limiting co-operatives to cash trading. However, Rapaacki, Poland, a member of the Special Committee, suggested that it was the trading relationship between members and their societies that was the point of the Principle, rather than that between societies and their wholesalers.

The Fundamentalist View

The Swedes, however, took a more fundamental view and rejected the British position. Supporting the Principle of Cash Trading, A. Gjöres argued that turnover could be bought too dearly. Extending credit systems meant that co-operatives' prices inevitable increased. Thus there could be great danger in this if competitors later began a price war.

Again, on the Principle of Political and Religious Neutrality, the Swedes also took a more fundamental view. Their opinion was stated after two diametrically opposed views had been advanced by E. Stavenhagen of the "Neutral Consumers' Movement of Finland" and I.P. Kampenius of Centrosoyus, USSR. Speaking once more on behalf of the Swedes, A. Gjöres argued that, Co-operatives were an economic and not a political form of organisation. The Swedish Co-operative Movement felt that because it consisted of people of many political creeds, engaging in party politics could weaken and eventually divide it.

The "Living" Co-operative

In the debate relating to other Prin-

ciples, Dr. Georges Fauquet, recently retired Head of the Co-operative Branch of the International Labour Organisation and author of *The Co-operative Sector*, indicated that the French delegation wished to uphold the principle of indivisible collective reserves. This had been a principle laid down in France by Buchez for workers' co-operatives and in Germany by Raifeisen for credit societies. Fauquet also urged that Co-operative Principles should not be so rigorously interpreted and applied that they restricted co-operatives as "living organisms". It was important that the co-operative spirit within them should exist and be active.

Co-operatives as "living organisms" featured again in further comments by Gjöres, Sweden. He held that it was important not only to know how Co-operative Principles were implemented by different co-operative movements, but also to understand how they "work out in practice against the background of the economic realities of today". This led to a Swedish delegation proposal that the Special Committee's full report should be referred back so that this might be studied. It will be recalled that the British delegation had already asked for two Principles to be remitted.

Congress decided by a large majority to refer back the Principles Report to the Central Committee. That, in turn, decided that the review so far had been too consumer oriented and that it should now be widened to include other types of co-operative trade. Consequently, the Special Committee went on to enquire how Co-operative

Principles were applied in Co-operative Wholesale Societies, Workers' Productive Societies, Agricultural Productive Societies, Credit Societies and Co-operative Banks. To do this, the original questionnaire was adapted to each group, but the Special Committee noted, in its report to the 1937 Paris Congress, that responses were disappointingly few, and in many instances too vague to produce sure conclusions.

The Special Committee concluded that consumer co-operatives were still generally based on the Rochdale Principles but "insufficiently and incompletely" so. As far as other kinds of co-operatives were concerned, the Special Committee recommended that a less rigid interpretation of Principle could be allowed. For example, "Dividend on Purchase" could be "Distribution of the surplus to the members in proportion to their transactions". In effect, the Special Committee had shifted little in the intervening three years and still found that the seven basic Principles that they had adumbrated in their first report had not been "impaired in their validity by modern developments of industry and commerce".

Prophesying Doom & Gloom

The debate at the Paris Congress, 1937, on the Special Committee's second report was far less penetrating and profound than the debate on the first report in 1934. There were fewer speakers and fewer interventions of sub-

stance. There was even a maverick contribution at the very end of it which can raise a wry smile or sadden by its prophetic nature. A Mr. A. Marshall from the Ruddington Society in England gained the rostrum. He argued that capitalism was collapsing and that voluntary co-operation was not enough to solve the problems of the workers. Without "compulsory co-operation", there was no "alternative between fascism and communism". He feared that "the collapse of co-operative justice was only months away, not years". Two British delegates, Sir Fred Hayward and Mr. J. Willerby, quickly disowned Marshall's views on the inadequacy of voluntary co-operation, and that brought to an end the 1930s debate on Co-operative Principles. There was no stirring reply to the debate as had been made by Henry May at the 1934 Congress, merely the President, Vaino Tanner, putting the question to the vote and the Special Committee's Report being adopted almost without dissent; only two opposed and their names were not recorded.

Within two short years, Mr. Marshall from Ruddington was partly vindicated by the beginning of the most devastating war in history. It was a total war that divided and destroyed so many institutions and organisations. Yet the ICA survived. Perhaps the conclusion that can be drawn is that the co-operative spirit was indeed stronger than the Alliance's ability to redefine its basic principles.

Plunkett Foundation: Better Business, Better Living!

by Richard Moreton*

A Statement of Intent

The publication of *People-Centred Business* by the Plunkett Foundation is a forthright statement of intent as the Oxford based international agency enters the 1990s.

The Plunkett Foundation has never been stronger, with more staff, new "state of the art" premises on the outskirts of Oxford City, and an expanding demand for the range of services provided to people-centred businesses (PCB's) throughout the world.

People Centred Business, by the Foundation's Director, Edgar Parnell, clarifies the distinction between co-operatives and other mutual forms of organizations, and their more common counterparts, the investor-led joint-stock company. It sweeps away old myths about the sanctity of "co-operative principles", and clarifies the reality that the key difference between the two forms of organization lies in their differing corporate purpose.

What is a PCB?

A PCB exists to provide benefits for its members, whoever they may be,



and however they may define them, whilst an investor-led business has one overriding aim (whatever recent literature may pretend), which is to provide a return on its shareholders capital contributions. This fundamental truth is central to the range of services which the Plunkett Foundation provides, but does not seem to have been fully grasped throughout the co-operative world.

In many countries co-operatives have been used by governments as a means towards achieving broad governmental objectives. Governments are able to offer tremendous support to the development of effective co-operative businesses, but must always hold back from the danger of regarding their objectives as more important than the individual co-operatives. Too

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often they have sought to override the will of the members of the co-operatives which they wish to assist, with disastrous consequences.

Conversely, at the other end of the spectrum of "corporate perversion", many co-operative trainers and consultants transfer conventional textbook management theory to their work with co-operatives, without recognizing that these organizational tools need to be modified to suit the nature of the businesses in question.

As Parnell says: "Both the symphony orchestra and the jazz band use many of the same instruments, but the sounds they produce are quite different". Plunkett Foundation trainers and consultants have developed many conventional management techniques to be in tune with the corporate purpose of people-centred businesses.

It is worth repeating: "Co-operatives exist to provide benefits to their members". Whenever another of the stakeholder groups (be they managers, government, employees or the providers of capital) feel that their objectives are more important than the members, then they are guilty of corporate perversion, thereby creating a mismatch between the form of organization and its objectives.

At the core of the Foundation's services are its training programmes for directors and managers of PCB's. It is significant that we say directors and managers, rather than managers and directors, for it is the directors of co-operatives who are the guardians of their purpose.



Edgar Parnell, Director of Plunkett Foundation and author of "People Centred Business".

Mounds of literature has been written on the subject of management; but very little on corporate governance. In an investor-led business there is a great clarity of purpose between the directors and the senior management; indeed in Britain the majority of company directors have an executive management role in addition to their position on the board. In co-operatives, there is often little or no overlap between these functions, and consequently training for effective governance, the role of the board of directors, becomes a priority.

The Foundation is presently undertaking a major review of the training

provision for directors of British agricultural co-operatives. Through its offshoot organization, the Agricultural Co-operative Training Council (ACTC) the Foundation is the only training organization in Britain dedicated to the agricultural co-operative sector. The review, to be completed in December 1990, will establish a strategy for the future development of farmer-directors in the UK.

Plunkett and Eastern Europe

The training of directors also takes a high priority in the Foundation's international work. Earlier this year a request was made by the Polish government to train potential farmer directors of emerging independent farmer enterprises.

The existing (so-called) co-operative movement in Poland has a poor reputation, since in a classic example of corporate perversion seen throughout Eastern Europe, the co-operatives, whilst nominally controlled by farmers, have had to operate within the narrow confines of state policy. The Plunkett Foundation, in a six week course held in the rural Kielce Region of Poland, inspired farmer leaders, extension officers and rural activists to believe that truly independent farmer-controlled organizations would be a key platform towards rural development in the coming years.

Entering the New Age

From its inception the Foundation has been an international information resource-base. Now that it is established in its new home, with modern office

facilities, the information service is to be developed to take advantage of the latest communication technology.

In the past, international organizations such as the Plunkett Foundation have been constrained by their geographical limitations. The only way people have been able to effectively access the full information resources of the Foundation has been by visiting the Oxford premises. In future that is to change, as the Foundation seeks to establish permanent institutional linkages with its partner organizations throughout the world, using electronic mail, bulletin boards and information databases as the standard means of exchanging and accessing information.

The Foundation presently manages permanent co-operative development projects in Bangladesh, Nigeria and Botswana, all in partnership with the CLEAR Unit of the Co-operative College in Loughborough, and the projects in Nigeria and Botswana with further international partners from the Netherlands (RVB Delft) and Italy (SINNEA).

The approach of each of these projects follows a similar pattern, with a team of permanent consultants and trainers in each country, backed up by short term consultants and project management in the UK.

The world is littered with development projects which appeared to flourish whilst the permanent consultancy team was present, but were seen to have little momentum of their own when foreign support was withdrawn.

Through means such as institutional linkages, and on-going backup support, the Plunkett Foundation aims to ensure that the relationship always remains a partnership, and that the links created are never of a temporary nature.

Sustainable Development

In planning the direction of future services to strengthen co-operative enterprise, the almost-worldwide trend towards a shift in roles from the state to the private sector is regarded as a significant opportunity by the Plunkett Foundation. Under many deregulation programmes affecting rural development, for example, there is a strong need to encourage the development of farmer-controlled business. To achieve sustainable change, there is increasing recognition by policy-makers of one very simple observation; namely, that what matters is to raise rural incomes and not just focus on agricultural production. It is in this context that the growth of producer-controlled processing and marketing businesses with a strong grassroots base has real significance. It is precisely those types of business, having the farmer's confidence and involvement, which can provide farmers with the necessary incentives. Outside support should be provided in a very careful manner, so as to encourage but not control, impose nor stifle group initiative. A multitude of governmental and private sector organizations are involved in the complex institution-building aspects associated with deregulation. The Plunkett Foundation would not claim to hold the key to such complex development issues.

However, through its networking possibilities, and new services geared towards financial viability of people-centred businesses at all levels, the Foundation could contribute increasingly to much-needed reorientation in privatisation programmes.

Spreading the Word

These innovative approaches are not unique to the Plunkett Foundation. All organizations are learning the lessons of several decades of development effort. To avoid significant advances passing unnoticed, and to prevent wheels being frequently re-invented, the Plunkett Foundation maintains its commitment to the publication of the "Yearbook of Co-operative Enterprise".

This unique publication draws together each year a narrow range of distinct themes, and commissions a range of articles representing the latest initiatives and thought on each subject. The result is probably the most comprehensive range of leading writing on co-operative issues in one volume in the English language. The present issue, to be published in December, will contain sections on developments in Eastern Europe, Co-operative Legislation, and Developing Countries.

In addition, the Foundation periodically publishes individual titles, the latest two, *Co-operative Law*, by Peter Yeo, and *Farmer-Centred Enterprise*, by Trevor Bottomley both having received international critical approval. A forthcoming publication will examine the topical issue of capital structures in agricultural co-operatives, as



Polish farmers on a study tour in the UK, 1990.

the second part of the series initiated by the People-Centred Business booklet.

Integrated Study Tours

The Plunkett Foundation, being based in the country which saw the birth of the worldwide co-operative movement (at least in its organized sense) receives many visitors from all over the world, keen to learn some of lessons from the British movement's development.

In recent years this visitor service has been developed into an integrated study tours programme. A study tour normally combines a range of visits to relevant organizations, together with training sessions and a supervised project, depending on the specific needs of the visitor or group. Many people

find this style of programme to be more appropriate and cost-effective than lengthy courses. It can also complement a more intensive academic visit to universities and colleges in the UK.

In addition to study tours themselves, the study tour department also organizes co-operative development workshops for overseas postgraduate students studying at educational establishments within the UK.

To complete the wide range of services offered by the Foundation, mention should be made of the statistical service, which publishes an annual review of financial information regarding the UK agricultural co-operatives. As the European Community becomes more integrated, there are hopes that

the many such statistical services existing throughout Europe may some day be combined into a pan European database or publication.

The statistical service is now fully computerized, and is capable of producing inter-co-operative comparisons between businesses in the same business sector or commodity group.

An Optimistic Future

The Plunkett Foundation has come a long way since its establishment over 70 years ago, and has been through some difficult periods. It is somewhat ironic that it has flourished during the past few years, during a period when the co-operative form of organization has been under threat in the United Kingdom.

It enters the 1990s, not only with its unique character and identity intact, but in a healthy state to respond to demands for new organizational models throughout the world.

There is evidence that as we move towards the end of the 20th century,

we are rediscovering many of the ideas on which the present economic system was built. There is evidence of a growing maturity in international business life, the market is being used to temper the socialist extremes of the East, whilst Western Europe is discovering the benefits of improved communications and participation within businesses as evidences by the proposed European 'social charter'.

In this climate, PCBs are set to play a growing and influential role.

The ideas which led to the Foundation's creation are as alive today as when it was established, and are epitomized by Plunkett's slogan "Better Business, Better Living".

For more information about the services offered by the Plunkett Foundation, contact:

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Neoco-operation

The Competitive Picture (II)

by Jesus Larrañaga*

The Days of the Loners are Over
IBM signed an agreement with SANSUNG of South Korea to exchange patents in the field of electronics. The giants are making strategic alliances which were unimaginable a few years ago because of the combination of costs, the need for extensive innovation and the distinctiveness of each market.

Perhaps the reader feels a bit confused by the apparent contradiction between a global market and narrower local markets and specific requirements. But they are not contradictory. These concepts become constructive when trying to cover markets that are differentiated by language, culture and politics. All these factors lead to the idea of alliances and agreements to attack different segments of the market under highly competitive conditions, where possibilities are real.

In short, the process of 'collaboration' is growing under different guises, known as joint ventures.

The problems do not appear to lie in defining the process, but arise when

examining the details involved in decision-making power in the new configurations. Relations between giants do not threaten the essence of companies or groups, unless these initial steps become successive stages to a goal: buying or selling to create a new enterprise.

Of course this goal can be logical and reasonable, depending on the nature of the activity. My argument starts with the idea of surmounting present limitations and, therefore, what interests me are synergetic alliances and not a discussion of how businesses disappear.

And it is from this premise that we must start thinking in strategic terms, about coherent actions and the potential that lies in each of them.

Alliances that are unequal in size and power cannot generally advance beyond the stage of being mere distributing agents, buyers or sellers of licenses or products, since otherwise the big fish eats up the little fish. The parties to an agreement must be similar if the advantages are to be solid. Of course there are exceptions, but the doctrine of equal strength is as useful in politics as it is in business.

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A multinational presence requires that time and money be spent on image, organization and innovation, which is beyond the reach of small units unless they aim at very specialized segments of the market; but as a general rule, multinational or global solidity is closely linked to the critical parameters of size.

The 'group', in its capitalist or co-operativist version, is very different in structure and scope, and is very difficult to interpret. Consequently 'group' is the only word that can be used to identify different realities.

Looking Inside

It is said that the devil and God agreed on the main points but disagreed on the details, and that led to man's downfall. Original sin and the Biblical curse ejected Adam and Eve from paradise because of their passions and egoism, and humans with these failings have been the protagonists of history ever since.

And here we are, whether we like it or not, discovering that the trends and future of the world are becoming polarized into large groups, giants who organize with the healthy intention of ironing out the wrinkles of the economy, perhaps not with the direct intention of controlling the political scene, but with the ability to influence its direction. Some years ago, Peter Drucker sang the praises of multinationals as harbingers of the good news of transnationalism; economic interests would chip away at the stubbornness of politicians and lay the groundwork for transnational politics.

The ideas of this liberal, scientific student of business were classified as heterodox and imperialistic, but lo and behold, we now have Adam Shaft, a Polish marxist, in a very recent book entitled "The Prospects of Socialism" welcoming his ideas as possibilities, with socialist overtones and hues of course, but not rejecting them. Instead, he senses that the great new tomorrow of science and the world will require new tools for economic and political management.

Forms of organization on the supra-national scale, with business planning strategies, which are undoubtedly more efficient than the 'planned economy' of the countries of the socialist block. Adam Shaft sees multinationals as bastions of capitalism, but gives them the benefit of the doubt, calling on Lenin to support his idea that they are organizational structures in transition towards socialism.

Be that as it may, the world is cooking up the most revolutionary mess of pottage that the human mind can imagine, made by the hands of technology and competition in spaces without borders.

The capitalist system is casting its nets wider, and is adapting to the new spaces without straining its basic doctrine. The simplicity of its ideas allows it to accommodate the demands of unions, which, fearful of assuming responsibilities, do not go beyond making conventional demands.

Any other system, be it collectivist, socialist or co-operativist, which in-

cludes ethics in its objectives stumbles against doctrinal or ideological resistance in some cases, and against the functional resistance of the power of enterprises in others.

Controlling power through capital, which is universally valid, and through the ballot box, which is only valid in a given place, are the key factors in planning strategic expansion in management policies for the international market.

The co-operatives that were born under the guiding hand of socialist ideas grew in a given historical context and in small markets. As legally independent units they have had to create federations as an expansion strategy, although their competitive value is doubtful. This model is not the best for overcoming the limitations of a medium-sized nation.

When the economic scale makes it necessary to develop strategies to open up international markets, breaking away from single locations, capital is required to maintain consolidated power which is a basic condition for controlling development strategically.

But prior to looking at more complex actions, perhaps we should review the make up of the Mondragon Co-operative, formed by co-operative groups that are similar in their ideas and objectives. The Mondragon Co-operative Group stands at the crossroads in attaining a new identity, that of a megagroup. At least this appears to be the case. If it is to continue as a group it must take new, larger steps,

create systematic power links, and its members must cede some of their sovereignty to energize and multiply their capacity as groups in a confined geographical space.

The challenge is much bigger than these small groups which were created around a concept of geographic affinity, close to the community. Small groups are not an adequate model to face the test of large markets and new technologies.

Therefore, the geographic model - organization based on proximity in space - must be combined with the so-called technological and marketological models if it is to be rationalized.

Alliances and Integration

The decisions that must be made to gear up to the Europe of the future must be daring, since the time for reacting is running out. If the picture for 1993 applies to everyone else - the majority of companies of a certain size and importance are about to finalize strategies for alliances, fusions, so they can move in the new Europe and the rest of the world - they will also apply to us, given the distinctive social tissue of co-operativism, conceived for uni-development rather than for multi-development.

Co-operation takes place in the fullness of unity, where the organs for representation and power are compatible. To move to higher levels of organization it will be necessary to forge federative links, pacts, functional and not structural links, always leaving the principle of segregation, open.

Each higher level of organization demands the explicit renunciation of sovereignty, a gradual relinquishment of power. This is a carbon copy of political organizations. The European Community itself reflects a similar process of federation. However, although the political process allows for delays, the competitive process demands speed.

A key difference between economic and political activities lies in the response time to events. The market moves so fast that success and failure depend on the ability to respond quickly - the capacity to make immediate decisions.

And this is the Achilles heel of the co-operative system, where except for inter-co-operative fusion, the only avenue to higher organization lies in pacted association which varies in intensity and in proportion to the sovereignty ceded to third parties.

There are no straight lines linking inter-co-operative fusion and different degrees of association. Higher levels of co-operation must be based on the nature of each enterprise or company. After this digression, which is more conceptual than concrete, I will now turn to the heart of the matter.

Expansion strategies involving the purchase of companies and alliances with others must be employed, but stress should be laid on the integration process in the Mondragon Co-operative Group as a means of growth, as an intermediate step towards larger strategies.

And to solve this problem, we must first answer a few simple but vital questions: Is the underlying ideology of the here and now in co-operativism a driving force towards more daring challenges? Will the social collectivism of the different communities support it when operating accounts favour some and harm others? Are the directors ready and able to crack the whip of integration? Is sectoral fusion or total fusion compatible with decentralized management and responsibility? Doesn't this structure mean the loss of local independence and identity?

There are at least two elements in favour: the need to be stronger, and the desire to maintain the idea of industrial democracy in communities that have known and lived with it.

The sound intention of systems, ideologies and organizations is to transcend. And the idea of acting on a more strategic scale, on the scale of a megagroup, is precisely to transcend. No one is forced to do so on account of the basic principle of the right to associate and separate freely, but those who decide to take the step are facing the most difficult and most meaningful challenge in the history of co-operativism.

A challenge of this calibre is enormous but can be met if led by persons of moral prestige, persons who are capable of inspiring faith in a project.

One Approach

It would be empty and pretentious to give magic recipes when eminent minds

have spent a long time trying to solve a problem that is not a simple mathematical one, or one that can be solved by majority vote. It is a project with political overtones, an audacious attempt, a risky adventure.

Under the current organization, each member has its ground staked off, its established ranks and professional posts, and when organizational changes loom, there is always the temptation to pour water on the fire of logical and rational solutions. Since pillaging and plundering is not the idea here, there is time to move cautiously, but in the direction of the final goal.

In the theory and practice of neo-cooperativism (to give this new form of organization a name), 'intangible' capital and horizontal links or dependencies flourish, born from joint creative activity and intelligence (industrial property) and image (trademark). Two capitals which, sunk in a common fund, constitute a crucial value as 'integration capital' which favours the consolidation of common projects, especially if inventive capacity is great and the image is recognized on the international market.

It goes without saying that this common agreement is not viable if prior decisions have not been taken, and these decisions must converge on the final goal of what we want to become: "A supra-regional model, adequately organized with decision-making power which is superior to that of any other level over the strategic and management variables that are necessary in this new global era."

This would be the conceptual definition, but in everyday language it would mean implementing new organizational articulations by sector or branch of activity, and even concentric or transversal fusions by region with a view to becoming more competitive and acquiring a suitable scale.

This new thesis of 'ad hoc' organizations would require intense work on the so-called horizontal links:

- Specialized R&D centres per sector;
- Sectoral and strategic marketing;
- Specialized and corporative or group images and communications (trademarks, common property, common industrial property);
- A financing company for purchases and shares in foreign companies and joint ventures abroad;
- Creation of a trading company for the group;
- Operations branches for training, quality and management;
- Rapid reconversion until 100% is achieved;
- A decision-making apex with broad capacity and/or the creation of a sole co-operative.

These are suggestions for a possible solution, which assumes acceptance of two ingredients: ideology and necessity. It will take imagination, the ability to hurdle the barriers of routine and convention to solve these problems. The most difficult but the best part remains to be done: to integrate efficiently to survive over time as an industrial democracy.

I am certain that if Jose Maria Arizmendi were alive, he would have invented a 'neo' of some kind or another to bridge gaps, to breach barriers, without renouncing the idea of communities of individuals taking responsibility for

managing their futures, for becoming part of a boundless community. These were two of his constants for all actions, which, although economic, do not exclude the social and the human.

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Co-operative Education

Education for Effective Membership Participation

by J. M. Rana*

Member Participation - the Key to Success

Effective member participation is a pre-requisite for organizing members into a co-operative, for its successful operation, and for its growth. Education of members is vital for fostering member participation in co-operatives. The ICA Commission on Co-operative Principles in this regard states: "Collective self-discipline is not a wild or self-propagating, but a cultivated growth. Co-operation requires of those who practise it effectively the acceptance of new ideas, new standards of conduct, new habits of thought and behaviour, based on the superior val-



ues of co-operative association. No co-operative institution, therefore, can be indifferent, in its own interest and for its own survival, to the need for educating its members in appropriate ways". Co-operative education is an article of faith for co-operatives and it

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finds its embodiment as one of the six Principles of Co-operation.

HRD & Co-op Development

The ICA Executive Committee recently formulated an ICA Policy on Human Resource Development (HRD) in co-operatives of the Third World. The policy has been formulated in recognition of the vital importance of HRD to co-operative development and in order to guide the efforts of the ICA and its member organizations in HRD programmes. A copy of this policy was included in the Review of International Co-operation, Volume 83 No. 4, 1990.

We hope that this paper will stimulate discussion on HRD - an area which the ICA regards of crucial importance to co-operative development.

The ICA has been actively involved with co-operative HRD including member education in Asia since the establishment of its Regional Office and Educational Centre (ROEC) in New Delhi in November 1960. In fact it opened the above two institutions with the launching of a Regional Seminar on Co-operative Leadership, one of whose tasks was to lay down guidelines for the work of the ICA ROEC. The sixties were devoted to several regional and national seminars and training activities in co-operative member education with emphasis on the study circle method, and the seventies with a pilot project on co-operative field education in India, trainers'

training programmes, and the launching of the Co-operative Education Materials Advisory Service (CEMAS) and field education development programmes. The seventies also witnessed ICA support to women's programmes and a pilot project for women's consumer education and information through co-operatives in Sri Lanka. In the eighties, the ICA Regional Office for Asia-Pacific continued to support member education programmes of member organizations through consultancies on planning, methodology, trainers' training and materials. Currently the regional office is assisting member organizations in developing appropriate methodology for co-operative member participation programmes (CMPP). The ideas set out in this paper are based on our experience with member education work in the region for the last three decades.

Education for Participation

Member education¹ is needed for securing efficient operations of co-operatives and for co-operative development. This means participation of existing members as well as bringing new members within the co-operative fold. Thus the targets of member education are both present members and broadly speaking, the general public. Within this group, a further categorisation is made viz. members in general; active members; elected members of managing committees/boards of directors; office-bearers such

¹ *Co-operative leaders in Asia have suggested that the term "member education" sounds academic, it connotes members going to a "school" and that adult members do not feel psychologically happy about it. The suggested alternative term is "member relations" or "member participation".*

as the chairman, secretary, treasurer, and elected internal auditors; women and youth. The rationale of this categorisation is to gear member education activities to the specific interests and needs of these groups for the purpose of achieving cost-effective results. Women are treated as a category deserving special attention because of the need to recognise them as equal partners in co-operative development on account of their exceedingly low participation in co-operative affairs and their relative neglect in member participation programmes. Similar considerations apply to "youth" also, who, in my opinion, have received scant attention despite their enormous significance as a powerful force for innovation, change and dynamism, and who, as the future generation, must carry the responsibilities of co-operative management and development.

In small co-operative societies, the dichotomy between member education and staff training, while useful for logical presentations and possibly analytical purposes, is unrealistic for practical conduct of educational programmes. A small society usually employs one person called manager/secretary. His tasks and the tasks of the Management Committee are very similar, both sharing operational responsibilities. For practical purposes, it is best to include the staff of local societies under member education programmes - often called "field education" or "local education".

The term "potential members" deserves a little elaboration. It can be interpreted to include those persons

who are living within the geographical area of a co-operative, who are eligible for and who need to be informed of the aims, activities and benefits of, co-operative membership. The term is also used in a rather broad sense to denote the general public who need to be informed of co-operative philosophy, co-operative activities and co-operative contributions to social and economic development. This broad aim is, however, more philosophy and policy oriented. It is rather synonymous with the overall goal of co-operative development; the activities required to achieve this goal would include co-operative crusades, lobbying with important governmental organizations and general propagation of co-operative ideas and interests through the media. While co-operative literature and even co-operative educationalists include this goal and these activities as part of co-operative education, it is wise to leave out these ambitious and laudable goals from the purview of "member education and member participation programmes".

The aim of the co-operative is to bring about sound and economic improvement of the member households by raising their incomes, living standards and social conditions. It is pertinent to note that the co-operative is an extension of members' business. Thus member education may be directed to equip the members so as to enable them to make their contribution to co-operative work for achieving these goals. Member education can and should also be directed to make a direct impact on members' economy,

social situation and cultural life as has been done in Japan and the Republic of Korea through farm and better living guidance activities of agricultural co-operatives. Progressive co-operatives in other countries of Asia have also carried out such activities.

We have tried to explain the concept of member education (member relations) in terms of its aims and expected results, target groups and the possible contents. A definition of member education may now be attempted. Member education means all educational and human development activities carried on by co-operatives and their federal bodies aimed at securing member participation in co-operatives, member control and democratic management, efficient functioning and growth of co-operatives, and improving the educational, cultural, social and economic conditions of the members as well as bringing potential members within the co-operative field.

Co-ops in Asia

Agricultural co-operatives in Japan and the Republic of Korea, and successful co-operative organizations and sectors such as the dairy co-operatives in India, urban thrift and credit co-operatives in Malaysia and Singapore, show better member participation. These co-operative sectors also have generally effective member education and participation programmes. However, member participation in a large majority of rural co-operatives and consumer co-operatives in most countries of Asia is low and needs to be improved. Barring few countries, the percentage of eligible persons

covered by co-operatives is also low; in some countries it is around 15 - 20 per cent, thus showing considerable scope for expansion of membership.

The ICA Regional Seminar on Methodology for Co-operative Member Participation held in Dhaka, Bangladesh, in May 1989, identified the following major obstacles to authentic member participation:

- (i) Economic and marketing inefficiencies and poor management thereby yielding few and unsatisfactory level of economic benefits to members;
- (ii) Vested interests and corruption or unclear missions on the part of co-operative leaders and managers; also poor image of co-operatives in the minds of members due to past experience;
- (iii) Environmental factors such as widespread poverty, inequitable social system and costly or unavailable justice leading to fatalism, passivity and inertia; and
- (iv) Lack of knowledge on the part of members of their rights, responsibilities and how to secure them; also people with vested interests blocking the flow of information.

Strong government regulations and control; provisions of co-operative laws hampering co-operative autonomy and democratic management should also be added to the list.

The above is an imposing list. As is evident, member education is only one of the methods for securing effective member participation. Action would also be needed on several other fronts.

The above analysis also shows how member education is linked up with co-operative leadership and management efficiency. An integrated strategy of co-operative education and training (HRD) would create the capability in the movement to tackle other obstacles viz. government role, vested interests and environmental factors. In fact it is the (longterm) mission of the movement to bring about social and economic development and to change the structure of the society in favour of the have-nots through the practice of "co-operation".

Linking Goals with Needs

The objectives of any member education programme should be formulated on a participatory basis by ascertaining members' interests and needs and by identifying co-operative problems and development opportunities.

The ICA CEMAS/FED (Field Education Development) and CMPP(Co-operative Member Participation Programme) approaches have developed guidelines for this purpose. A few general remarks may however be offered. The objectives of member education should be problem-solving and securing development of the co-operative.

Member education should also aim at building co-operative commitment and faith in the co-operative ideal. It should aim to improve the productive capacity of the member, be he a farmer, fisherman or an artisan. It should raise his cognitive and analytical skills and his cultural level.

The objectives of a particular member education programme would thus be

formulated on the basis of needs of the members and their willingness and capacity to participate in the education programme, the overall goals being member and co-operative development.

A primary co-operative may well formulate the goals of a three-year member education programme, using the member-participation strategy. The member education programme would naturally be part of the three year development programme of the co-op. The national co-operative movement may also formulate, using similar strategy, a three-year member education mission, within the context of a three-year co-operative development programme. The national co-operative congress would be the appropriate forum to endorse such objectives.

With Women in Mind

The objectives of a particular education programme would naturally have to be determined with reference to the specific sub-target groups within the "Member Category" discussed earlier. Women make up one such important sub-group and it is proposed to discuss their programmes below.

It is an obvious statement that the talents of women, who constitute 50 per cent of human resources, should be fully utilised for co-operative development. However, the sad fact is that women have been a neglected and under-utilised resource in developing countries in co-operative development programmes. Hence the need to give special attention to women and co-operative development.

When we speak of special programmes, we do not mean segregation of women from the mainstream. What is intended is to take into account the needs of women, keeping in view women's roles in society.

Caroline O. N. Moser of the London School of Economics and Political Science in her excellent paper "Gender Planning in the Third World: Meeting Practical and Strategic Needs" (World Development, Vol. 17, No. 11, 1989, pp 1799/1825) deals with questions of women in development, distinguishes between sex and gender for an analysis of (planning for) women and development, and provides a conceptual framework and the methodological tools for women and development. Relevant aspects from this paper are dealt with here briefly as, in my opinion, they would be very useful for planning programmes for women in co-operative development. Moser makes a distinction between "sex" and "gender". By "sex" is meant the biological difference between men and women. By "gender" is meant the social relationships between men and women, a relationship in which women currently have subordinate position. Gender aware approaches are based on this understanding that women and men play different roles in society, their gender differences being shaped by ideological, historical, religious, ethnic, economic and cultural determinants. Hence women and men often have different needs. Development planning has neglected this functional approach because of male domination in planning; lack of "gender awareness"; lop-sided concerns

with biological differences and feminist positions.

Women and men play different roles in society. Women play a triple role:

- (i) **Reproductive.** Child bearing and rearing responsibilities. Included in this role are tasks concerned with household management.
- (ii) **Community managing.** This role includes tasks of seeing that the basic social or economic needs of the household such as water, health facilities are provided by the local authorities; if there are problems, women either singly or through local groups, struggle to ensure that these needs are provided.
- (iii) **Productive.** In most cases women are supplementary income earners; but in several cases they are the principle earners as in women-headed households.

No exchange value is placed on the outputs of the first two roles and hence they are neglected in calculations concerned with development planning which is how women's interests and needs become marginalised in development plans.

Men perform two roles against three performed by women:

- (i) Productive and
- (ii) Community leadership

These are stereotypes, and development planners must examine whether the male breadwinner role is really performed by men in any particular community. For example, when un-

employment is high or in households with male drunkenness it is the women who are the principle income earners.

Thus keeping in view gender roles in society, Moser categorises women's needs as:

- (i) practical needs and
- (ii) strategic needs.

Practical gender needs are formulated from the concrete (specific) conditions women experience in any of their triple roles viz in the domestic arena, in the area of income-earning activities and/or in community-level requirements of housing, basic services etc. As against these, strategic gender needs are those needs which are formulated from the analysis of women's subordination to men and the satisfaction of which would lead to "a more equal and satisfactory organization of society than that which exists at present, in terms of both the structure and nature of relationships between men and women." The ICA Development Policy objective of building co-operative organizations "in which men and women participate on equal terms" is aimed at this strategic need. Equal pay for equal work, removal of discrimination in respect of rights to become a co-operative member in one's own right, and access to credit are examples of strategic gender needs.

Policy planners and co-operative educationalists concerned with increasing women's participation in co-operative development may with advantage use the above concepts and methodological tools. Women's programmes would have to be tailored to women's

specific needs within specific contexts and may have to be fine tuned even within a given locality to differing cultural or religious contexts.

Methods and Contents

Various methods have been used in the region. They are as follows:

- (i) small group methods such as group discussions, study circles and commodity groups;
- (ii) seminars, camps and conferences;
- (iii) co-operative publications and self-study materials;
- (iv) audio visual materials;
- (v) training courses.

Education methods have to be selected keeping in view the target group characteristics, the subject matter, and the purpose of a particular education programme. No single method would serve the purpose. It would be necessary to use several methods together to achieve the desired results.

Participation in the usual democratic forums, such as the general body and managing committee meetings for the members and committee members respectively, in itself is of great educational value. Proper use of these forums for educational purposes needs to be made in most co-operative societies.

The value of group work through group discussion method/group projects cannot be overemphasized. Small groups have been found to be of immense value as an educational method. They are democratic and

participatory tools. By relating to participants' needs and drawing upon participants' own experience (experiential learning), they ensure that an educational programme is relevant and that it builds on existing knowledge of participants. Participants learn to identify and analyse their problems and needs, analyse their environments, causes of the problems, pros and cons of the alternative solutions, and decide on the best possible solution. In the process they become self-reliant and confident.

Attention may be drawn principally to three major educational approaches tried out or currently in operation in the region.

- (i) The agricultural co-operatives in Japan have a well-planned and effective member education programme. Its three main components are (a) members' participation in co-operative business planning, (b) education regarding farm production, farm management, marketing activities, and (c) education to raise living conditions and social and cultural standards.

Productivity and incomes of Japanese farmers are rather high, so is the standard of co-operative management. Agricultural co-operatives in the Republic of Korea have developed their member education programmes on the Japanese model with successful results.

Consumer co-operatives in Japan also have successful member education based on neighbourhood groups and their participation in

joint purchasing and other consumer activities. The majority of consumer co-op members in Japan are women.

- (ii) The CEMAS Field Education Development (FED) programme was established by the ICA in the late seventies. The FED programme produced material for training co-operative education field workers in analysing performance problems of co-operatives. Performance problems that can be tackled through an educational approach were then the responsibility of the field education worker.

The material was also designed to train him in building educational programmes for members, committee members and society managers based on performance problem analysis.

The FED programme has been fully decentralised to ICA regional offices.

- (iii) The CMPP model has been tried out in Kenya and Zambia and the ICA Regional Office for Asia and the Pacific is currently orienting member organizations about it and assisting them to introduce it.

The ICA has produced material on all the three approaches mentioned above.

The ICA Regional Office for Asia and the Pacific, in collaboration with its member organizations, also carried out two pilot projects at the grass roots level:

- (i) Co-operative Education Field Proj-

ect in Indore District, India from 1971 to 1975, and

- (ii) Project on Women's Consumer Education and Information through Co-operatives in Sri Lanka from 1978 to 1983.

Conceptual models and operational methods were formulated on the basis of these projects which have yielded positive results in terms of education, and improved co-operative management. The project in Indore had achieved significant results also in agricultural and co-operative development.

Some of the lessons learnt from the above projects were:

- (i) Linking member education with members' occupational, living and co-operative business needs;
- (ii) Heavy reliance on participatory methods and group work;
- (iii) Building adequate communication channels between members (member groups), and co-operative management;
- (iv) Management training and consultancy to committee members and society managers;
- (v) Education of co-operative leaders at the secondary level; and
- (v) Need for collaboration between unions and business federations.

Need for Policy

The ICA Regional Office on for Asia and the Pacific has gained significant experience during nearly 30 years of work in the field of member education. However, this experience re-

veals that the effectiveness of the programmes has been limited owing to restricted finances and inadequate collaboration between co-operative unions and business federations. Furthermore, the infrastructure, e.g. training facilities, instructors and field workers, study materials and audio visual equipment needs to be drastically improved. In my opinion, the basic underlying problem in all these areas is one of organization and management. While everyone agrees and strongly pleads for an effective member education/participation programme, it is not translated into a firm policy and carried out with the needed organization and managerial efficiency.

Japan presents an excellent case study of a success story in this regard. In the Republic of Korea also, the movement has been able to establish an effective member education programme because of a well-integrated co-operative structure backed by efficient management. The movement has therefore made progress not only in raising agricultural productivity and economic conditions of the farmers but also in democratising the movement.

Co-operation is the Key

There is a general acceptance of the need and value of member participation and member education in the Asian region. However, this realisation is not always translated into an effective action programme in most individual co-operative organizations at the primary and the higher tiers. Furthermore, the movement as a whole has not devised and put into action an effective member education programme with the exception of a few

countries. Considerable experience on methodology exists. What is thus needed is a well-planned programme backed up with adequate financial resources. In the ultimate analysis, it

is a question of organization and management based on a collaborative endeavour between the unions and the business federations.

The Iberamerican Training Experience

by Leon Schujman*

Nowadays, it is a challenge for the future of co-operatives to develop manpower by means of training. The education process has an important role to play on account of the technological advances in productive and service activities and the need to preserve solidarity and democratic values in co-operative sectors.

Hence the importance of the integration experience that was born at a Seminar held in Buenos Aires in March 1976, by mutual agreement of five centers from Argentina, Brazil, Chile, Spain and Uruguay. Today, the Association has more than a hundred member institutes, from the co-operative movement and from universities, devoted to co-operative education and training in eighteen countries in Latin America and in Spain and Portugal.

Alcecoop aims to promote, through seminars, meetings and workshops and



the exchange of information and publications among its members, the development and growth of co-operatives. Bearing in mind the different ideologies and cultures of people, Alcecoop is intent on encouraging the study and analysis of co-operative theory and other sciences relating to economic activity in co-operatives.

The Iberamerican Seminar on Co-operative Education is one of its main activities. Nine such seminars have

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been conducted in different countries of America.

In general, they are preceded by research and reports at the national level which are considered scientifically and their conclusions are published in book form.

San José Programme

The last seminar was held in San José (Costa Rica) from August 28 to September 2, 1989 and was attended by 85 co-operative education experts from 25 countries and representatives from the International Labour Office (ILO), International Co-operative Alliance (ICA), Organization of Co-operatives of America (OCA), Confederation of Co-operatives from Caribbean and Central America (CCCCA) and the Latin American Confederation of Workers Co-operatives.

The theme was youth and co-operative education and the result was the approval of the "San Jose Programme" which declared 1990 as the "Year of the Youth in Co-operative Education" and engaged Alcecoop centres to initiate youth training schemes.

Alcecoop Yearbook

Another regular activity of our Association is the bimonthly publication of "Noticero Alcecoop", a periodical giving information on the main educational events at international level as well as the publication list aimed at promoting the exchange of periodicals and books. The Alcecoop Yearbook, giving information on the ac-

tivities of the institute in the network, is also edited on a regular basis.

An estimated thousand plus co-operative educators have taken part in Alcecoop activities since its inception and, as recognition of the association's contribution to international co-operative education, a representative from this organization has been invited to join the ICA INCOTEC Executive Committee. INCOTEC stands for International Committee for Training and Education of Co-operatives and is the educative committee of the International Co-operative Alliance.

Latin American Project

Last March an initiative of significant advance for Alcecoop was initiated by the International Labour Office with the assistance of the Spanish Government. The beneficiary is the Latin American Association of Co-operative Education Centers.

This project aims to strengthen co-operatives and social economy enterprises in Latin America. The three year project will spread MATCOM methodology and the edition of didactic materials and teacher training through classroom correspondence and the use of computer and audio-visual methods.

The target group will initially be workers, public services and multi-purpose co-operatives. Other items of interest will be educational programmes and evaluation as well as the plan of investment projects in the social economy area.

Co-operatives and the Environment



The Japanese Experience

by Masao Ohya*

As a part of its nationwide environment conservation movement starting in the 1990 financial year, the Japanese Consumers' Co-operative Union (JCCU) has decided to concentrate on its **Environmental Policy** concerning water and the environment, recycling activities and the reduction of garbage, and on the **Product Development Plan** based on this policy. These were launched nationwide in June 1990.

Environmental Policy

The objective of the JCCU's Environmental Policy is to put less of a burden on the environment and to conserve energy and resources. In order to attain this goal, the following have been initiated:

(i) A standardized symbol was designed to go with the theme for environmental action, 'Life on Earth, Appreciating Nature'. This will promote member activities by providing a unified image to work under. The symbol will be used on products and also for events and activities.

(ii) June and July were designated **Co-op Environment Months**, to fol-



low **June's Environment Week**, and are devoted to member activities and product promotion, with an emphasis on detergents and our water supply. During this period, resolutions on environment conservation were adopted at many co-operatives' annual congresses. Further, in line with the Co-op Promotion Months of October and November, Co-op Autumn Environment Months will be organized to promote member and product activities, which will cover a wider range of environmental issues.

(iii) The JCCU will promote interaction among member co-operatives and collaboration with administrative bodies as a part of the environmental policy. In view of this, the Co-op National Study

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Used milk cartons are collected and prepared for recycling.

Meeting of Environmental Issues took place on July 24-25, and was attended by 142 co-operative representatives. Co-operatives which have been involved with environmental issues for a long time reported on their achievements, and discussions were held on related activities.

- (iv) The Environmental Issues Committee has been established to fully discuss environmental policy and consider the steps necessary to promote the co-operative movement. Composed of representatives of member co-operatives, it exchanges ideas on the policies

and practical experience of member co-operatives and holds policy discussions.

- (v) Nadakobe Co-op, the largest co-operative in Japan, is making outstanding progress in this field. In March this year, Nadakobe Co-op formulated its own food plan, aiming to ensure safe produce, while seeking a suitable, new food production system. The following three objectives summarize the basic idea of the Food Plan: (a) introducing safe and reliable products to the consumer and producer; (b) recycling materials and energy used in production wherever pos-



Co-op members learn how to make soap from used cooking oil.

sible and using efficient production methods; and (c) paying attention to conservation of the environment and ecosystem. Guidelines have been set to specify minimum requirements for the programme's implementation. They include two main points, one concerning the environment and ecosystem, and the other farming and breeding methods. The former specifies standards for monitoring the environment and the conditions of the producing area. This ensures that air, water quality, soil, and other environmental conditions are good, and also requires that production does not adversely affect the ecosystem. The latter stipulates that methods should be friendly both to the human body and to the environment, and recommends crop rotation, organic farming, and natural

breeding whenever possible. Thus, the Plan details co-operative requirements to producers, seeking safe food production and a better global environment through co-operation between the consumer and the producer.

Besides this, Nadakobe Co-op is running experimental trials on CTF trays (Chuo-Kagaku Talc Foamed) in stores. These do not generate harmful gases when incinerated, and produce less wear and tear on the incinerator. Furthermore, a Co-op Employees' Environment Campaign is running on a voluntary basis.

- (vi) Other co-operatives in Japan are also engaged in the recycling of resources and the recovery of harmful substances. For instance, used milk cartons are recovered and

made into recycled paper. By 1989, 3.5 million cartons (1,000 tons) had been recycled for toilet paper and tissue paper. Attempts are also being made to replace plastic trays with paper ones in the stores. In addition to this, co-operatives are engaged in recovering usable waste. Activities include making soap from waste oil (thus protecting water sources) and reusing plastic shopping bags.

Product Development Plan

The Product Development Plan aims to promote the development of environment-friendly products.

- (i) The JCCU intends to develop, and supply to its members, products and resources that are less demanding on the environment, recycled, and/or energy saving. These will carry standardized symbols to assure members that they are environment-friendly. The JCCU aims to supply 130 such products, worth 15 billion Yen in the 1990 financial year, that carry the JCCU Co-op brand name. When combined with products of the member co-operatives, these will total 300 products, worth 25 billion Yen.

- (ii) Environment-friendly products will be selected by a committee, made up of co-operative members, Co-op National Product Committee members, and outside experts. To qualify, products must meet quality standards set by the Committee. Manufacturing processes and how the product is to be disposed of will also be taken into consideration when judging whether or not they deserve the tag 'environment-friendly.'

As mentioned, Japanese consumer co-operatives are promoting the environment conservation movement in various ways. Their international concern is illustrated by the fact that a large number of co-operative members have a great interest in the UN Conference on Environment and Development, to be held in Brazil in June 1992, and wish to attend the conference themselves.

Japanese co-operators sincerely hope that a worldwide exchange of experiences on the environmental question will be advanced by the ICA, and that co-operatives will make a significant contribution to the conservation of the environment.

Co-op Development

Katraj Dairy - A Success Story

by Madhav V. Madane*

Katraj Dairy Comes of Age

Surprise greeted me when I drove through the massive gates of Katraj Dairy. It was difficult to believe that the huge dairy complex in front of me was, only a decade ago, a small pasteurizing plant handling a few hundred cans daily and delivering most of the milk to the government dairy in the city. Located at the outskirts of Pune (Poona to the old colonels) the dairy co-operative has come of age through an agonizing but rewarding process over the past two decades. From a collection of a few thousand litres of milk, the dairy has become the most important supplier of milk to Pune city and to other dairies owned by co-operatives and the government.

Soon after the Lausanne Congress, which had drawn up ICA's Long-Term Programme of Technical Assistance, the Bund Deutscher Konsumgenossenschaften GmbH (West German Consumers' Co-operative Congress) offered to donate dairy machinery and equipment worth over half million DM to a co-operative in India and the grant was channelled through the ICA Re-



gional Office for South-East Asia (now the Regional Office for Asia and the Pacific).

The search for a suitable organization to donate the dairy machinery landed us in Pune, a city near Bombay, located in the State of Maharashtra. The Pune District Co-operative Milk Federation agreed to receive the grant and establish the processing plant at a place called Bhore, about 50 km south-east of Pune. The Federation did not have the means at that time to raise enough resources to supplement the grant for establishing the dairy plant. The negotiations for selecting a site for locating the plant also ran into rough weather due to differences of opinion between the local organizations and the German engineer who had come to survey the site. The local organizations favoured the location of the dairy near

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Milking the cow - housewives play an important role in the daily chores.

a consumer centre rather than in a remote town on the grounds that bringing the milk to the city from a remote place would entail repasteurization through the government dairy. This would increase the dependence of the federation which was already dependent heavily on government patronage, and the project would not be able to function as an independent entity. The anxiety of the German engineer to serve the remote areas was appreciated by the local organization. However, the local leaders responsible for the project did not want to tie up the dairy with the government processing plant. The government's dairy department also favoured the donation of refrigerated tankers rather than the dairy equipment.

The controversies lingered on for several years and the negotiations were conducted back and forth with various organizations and departments. This delayed the implementation of the project to such an extent that some of the Regional Councillors of the ICA Regional Office wanted the project to be shifted to some other area if the local leaders in Pune were not prepared to receive the grant in accordance with the original objectives.

Despite all these difficulties, efforts were renewed to find a suitable organizational structure for implementing the project.

In 1968 the Maharashtra State Co-operative Milk Federation was established in consultation with the government

to receive the dairy equipment through the ICA from the West German Consumer Co-operative Congress. It was also decided to locate the dairy near Pune so that the pasteurized milk could be distributed to the consumers in the city and the balance delivered to the bulk consumers in Bombay or other areas. The leaders in the State Federation were able to secure a large plot of land near Pune for locating the dairy.

As soon as consensus was reached concerning the organizational structure and the site for locating the plant, things started moving in a speedy manner and the construction work for the dairy building was started in 1968. In my search for the dairy machinery in Sweden and Switzerland, I also located a young Indian dairy engineer who was working in a West German dairy plant and who was willing to come over to India to take up responsibility for setting up the dairy and later work as a dairy manager after the commencement of its operations.

This young man, Mr. M. N. Patel, found his career in the dairy and is still working as the dairy manager in this project.

Shortly after the inauguration of the dairy, it was handed over to the Pune District Co-operative Milk Federation, responsible for milk procurement and distribution in the district. The federation faced an uphill task of raising resources for running the dairy because the collateral needed was inadequate. Finally one of the banks came to the rescue of the federation and funds for operating the dairy were provided, although at a higher rate of interest

than normal. Through meticulous planning and deduction of small amounts from payments made to each milk producer, the federation was able to gradually repay the loans and clear the backlog of arrears to other debtors. In the meantime the milk producers in the district had started supporting the federation in its efforts to consolidate its activities for dairy development and secure maximum price for the milk producer.

Due to the prolonged negotiations, the grant from West Germany had appreciated to some extent and had provided a 5,000 litres per hour plant instead of 2,500 lts. promised earlier. This helped the dairy to process over 50,000 lts. per day in the initial years. From this modest quantity the dairy has now come to the level of collecting about 330,000 litres daily. About 125,000 of these are distributed directly to consumers in Pune city through distributors appointed by the federation and the rest of the milk is delivered to the co-operative federation in Bombay and to the government dairy. Later on the West German Consumers Congress also provided an additional grant of Rs. 370,000 for purchasing of automatic tetra pack machines.

The milk is collected by the federation and brought to the dairy through 150 routes in different parts of the district. Some of the milk is collected in cans which have ice insertions in order to avoid spoilage. However most of the milk is transported in bulk in refrigerated tankers from the chilling stations located in different parts of the district.





Above: producer members waiting to deliver milk to collecting centre, and below: milk is tested for fat content.



The dairy's expansion has been made possible because of the assistance secured by the federation through the Operation Flood programme introduced in India by the National Dairy Development Board (NDDB). Apart from the additional dairy equipment, the federation also gets from NDDB considerable assistance for dairy development and for veterinary services to the milk producers.

Particularities

Following are some of the special features of the Katraj dairy:

1. The milk producing centres in the district are located in the hilly areas. Two such areas have big lakes and the milk producers located along the banks of the lakes did not have access to the market earlier and most of the milk was either spoiled or converted into by-products which received very meager returns. The dairy has now started milk collection centres on the banks of the lakes formed by the Panshet and Mulshi dams. Milk collected at these centres are transported by motor launches across the lake and brought to the dairy in a short time. These launches have also provided transport services to the villagers and have given them access to the centres for securing their daily necessities.
2. The federation has decentralized the veterinary services by appointing local veterinary doctors in respective areas. This has reduced the transport cost which is incurred in other large dairies where the veterinary service vehicles are sent from the central dairy. The federation reimburses the expenses incurred by the milk producers for veterinary services to their animals.
3. The dairy encourages persons with limited means to distribute the milk on a commission basis in the city. Most of these entrepreneurs are part-time students or from other economically weaker sections of the society. In addition to the commission given for distribution these agents are also provided with booths for selling the milk.
4. The dairy has now introduced some locally popular milk products for sale in the local market.
5. The dairy has taken several measures to save energy. One of the most important activities in this direction is the installation of a solar water heating plant with a heating capacity of 35° to 85° C. This has helped the dairy to save furnace oil, electricity, and reduce the pollution in the area. It also plans to install a plant for converting waste of effluent treatment plants into energy for dairy activities. Plans are also being prepared for recycling of waste water.
6. The federation attaches great importance to staff in various dairy operations such as procurement, processing and marketing. Most of the staff members responsible for various operations have already been trained.
7. Apart from the assistance to the milk producers in developing their cattle and in providing fodder and veterinary services the federation



Milk on way to chilling plant.

donates large amounts to the rural schools in which the children of the milk producers are educated. So far the federation has donated Rs.3.5 million (about US\$ 200,000). In addition scholarships are also provided to deserving students.

8. The federation arranges visits to the dairy so that milk producers have a good understanding of the activities conducted for their benefit. These visits create a sense of belonging and a pride of ownership among the milk producer members in the district. Also groups of co-operative members are taken to the famous Anand Milk Producers Co-operative Union Dairy (Amul) located in Gujarat near Ahmedabad - a successful example in dairy de-

velopment through co-operative efforts.

Because of my personal involvement in the ICA dairy project, it was very gratifying to note that a small project initiated by the ICA technical assistance programme has now blossomed into a big enterprise serving milk producers as well as consumers. The spectacular success of the dairy has been made possible through better productivity, perspective planning for continuous growth and improved marketing. These efforts have resulted in making the Pune District a leading producer of milk and milk products in the area through a service network established in collaboration with nearly one thousand milk producers' co-operatives.

Trade Policies for the Small Farmer

by S. S. Dawra*

Small farmers can be broadly classified into four major groups. The first group comprises small farmers in African countries who are traditionally producing export-oriented cash crops. Taxation of their exports has been a major source of revenue for their governments.

The second category of small farmers is found in Asia. This category produces export-oriented crops like rubber, edible oils, spices as well as traditional crops on small holdings of land.

The third category of small farmers belongs to the industrially developed countries in Western Europe, Japan and Korea who are keen to retain their farming traditions, where farming is among the least cost efficient occupations.

The fourth category of small farmers, called family farmers, belongs to low cost and high productivity agricultural countries like the United States, Canada, Australia etc.

So far, no agency representing the community of small farmers has ever



been associated with trade negotiations. The agricultural co-operatives appear to be the only organized sector which perhaps has the capacity to understand the problem of the small farming community. They can mitigate the hardship of the small farmers, by finding ways of locating remunerative outlets through consumer co-operatives in the importing industrialized countries. In some countries co-operatives have been able to link production, processing and marketing, thereby providing income stability to the small farmers. However, such linkages do not exist at the international level where they could have a bearing on trade policies. With concerted effort, the world co-operative movement should be in a position to gradually direct trade policies to find a lasting solution to the twin problems of stead-

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ily falling agricultural commodity prices and the aggravation of poverty among small farmers of the world.

Criteria for Future Policies

What agricultural trade policies should be followed in future? Agriculture trade-related policies for the future will have to keep in view the following criteria:

- Every human being should have access to food (meaning food availability as well as purchasing power);
- International assistance should be made available to food deficit developing countries in the form of food imports and the transfer of technology to increase their own agricultural productivity;
- There is an increasing disparity between the income of non agricultural employment and that of small farmers in the industrialized countries and this trend is also becoming more marked in the developing world;
- A more realistic balance has to be established in developing countries between the supply and demand of non food crops;
- The environment should be preserved through the adoption and implementation of agricultural policies conducive to the conservation and maintenance of the ecological balance with a view to conserving land and water resources for future generations;
- By the end of the 21st century, our agricultural production will have

to sustain a population and the attendant expansion of the industrial sector.

The knowledge gap can be effectively filled by organizations which collect information on consumer preference and transmit it to farmers and which ensure a link between production and consumption. In almost all countries of the world, co-operatives of consumers or farmers have been established and are functioning effectively.

Trade and Co-operation

In 1966, at its Vienna Congress, the International Co-operative Alliance (ICA) adopted the principle that "all co-operative organizations, in order to best serve the interest of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels".

Co-operatives of producers and consumers everywhere are involved either in the production or consumption of a large volume of commodities and trade among them can steadily grow if co-operatives in importing countries give preference to co-operatives in the exporting countries.

Agricultural co-operatives in the Asia and Pacific region are still predominantly agricultural and account for more than 50 per cent of the 600 million individual co-operative members represented in the ICA. They are already playing important roles in achieving food security, in diversifying production of market-oriented crops, in

developing market outlets and in value addition through agro-processing.

Inter-cooperative trade can lead to methods of profitable land use in countries like USA, Canada, Australia etc., for the production of crops with long-term global market potential. Similarly, the upgrading of technology for the production, processing, packaging and marketing of spices and beverages through inter-cooperative effort could benefit both producing and consuming countries.

Patents and technical know-how are expensive and inaccessible to developing countries. Inter-cooperative trade can help transfer technologies related to agricultural commodity production, processing and trading from developed countries to developing countries at affordable prices.

Farmers everywhere need remunerative returns for their produce, based on the different local market conditions and the comparative economic standards between industrial and agricultural populations.

A broad solution lies in trying to provide, through inter-cooperative trade, reasonable economic security to farmers compatible with their national policies. Government support and encouragement would not only be desirable but also necessary for achieving this objective.

The ICA Regional Committee for Trade and Industry in Asia and the Pacific recently adopted a co-operative trade development pact committing the

member co-operatives to establish an international co-operative trading system. This network will promote joint trading, the transfer of technology and know-how and the transnational marketing of finished products. It will also organize training programmes, seminars, trade fairs, exhibitions and trade missions. Co-operatives in the USA have established the Co-operative Business International (CBI) for similar purposes.

Since the pact came into effect, collaborative trading activities have already taken off between co-operatives in Japan and those in Australia, Malaysia, Indonesia, Thailand, USA and USSR. The Indonesian co-operatives have initiated trading proposals with co-operatives of Australia, Europe, USA and the Middle East. The Australian co-operatives have initiated trade development with co-operatives in China, Fiji, Japan, Malaysia, Thailand, Vietnam, etc. Similarly the Philippines co-operatives have taken the initiative for the development of trade with Australia, Japan, Hong Kong, Taiwan, Holland and Finland and co-operatives in Malaysia have begun trading with Australia, Japan, and USA.

A recent survey conducted on the activities of the Co-operative Business International (USA) indicated that its initiatives have generated trade worth nearly US\$ 100 million in the Asian region and have also created 2,000 jobs. The estimated volume of trade generated by Co-optrade Japan during the fiscal year ending 31st March 1990 is estimated at US\$ 400 million.

As can be seen by the examples above, recent developments have proved the immense potential of co-operatives to develop trans-national co-operative trade in agricultural commodities. Further progress will take place when more co-operatives take up the challenge and commit resources to it.

The system of co-operatives can successfully link the needs of consumers in industrial countries with a profitable market for the produce of small farmers in the developing countries. However, there is an information and technology gap between the increasing sophistication of consumer needs in the industrially developed countries and the prevailing primitiveness of methods in the developing countries.

Co-operation among co-operatives of different countries can bridge this gap through the ICA which can bring together the experts and the co-operatives who need their expertise.

In addition, it cannot be too strongly emphasized that the sooner the governments encourage international trading in agricultural products by providing the necessary assistance to the co-operative system, the better it will be for the future of world agriculture and for the billions of small farmers throughout the world.

Results of Trade Liberalisation

It is very difficult to reach clear conclusions because of different scenarios in different parts of the world. In the United States, the government pays

farmers not to grow grains, in the European communities, farmers are paid high prices even if they produce excessive amounts. In Japan, rice farmers receive many times the world price for their crop. On the other hand, we have hunger in the midst of plenty. Urgent action is needed to increase the incomes and productivity of the farmers in the developing countries.

Although a number of developing countries have made changes aimed at the liberalisation of trade restrictions, the majority have felt obliged to take restrictive actions because of increased balance-of-payment difficulties stemming from sharp rises in debt servicing.

While full liberalisation of agricultural trade does not seem to be likely, given the varying scenarios in different parts of the world and the drift towards protectionism, all of us should move forward with partial and gradual liberalisation. The benefits of protection go primarily to the better-off farmers, while the burden of higher food prices is borne by the poorer consumers. Gradual free trade would increase efficiency and enhance human welfare among the trading partners. However, the importers, particularly developing countries, would have to make sure that their small and marginal farmers get assured and remunerative prices for whatever little surplus they have and that the liberal imports do not depress the prices for their produce.

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Palestinian Co-operatives Survive and Flourish

by D. Istanbuli and A. R. A. Arafch*

Co-ops Overcome Hardships

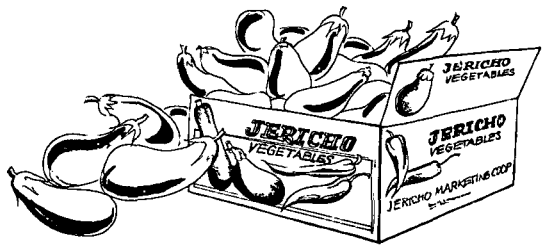
The obstacles to growth are like mammoth boulders blocking a road to a Palestinian village; a pattern of restrictions imposed by the military authorities, the strife of national uprising known as the Intifada and recently the Gulf crisis, all have combined to make development a tough task.

Over the years the will to survive, and the determination of the co-operative leaders, together with the technical, managerial and financial assistance from the Jordanian Co-operative Organization (JCO) and outside voluntary

organizations, have enabled Palestinian co-operatives to hang on and participate in the local economy in the West Bank and Gaza Strip .

The Palestinian co-operative movement has a history dating back to the 1940s. Though working under foreign occupation for the last twenty three years, some two hundred co-operatives are considered active and continue to serve their members, mostly in the West Bank.

In the Gaza Strip, growth has been relatively slow. Only eight co-operatives, mostly agricultural, are active. While modest, these co-operatives have recently introduced the brand name of "Gaza fruits and vegetables" in the competitive European markets.



Agricultural Co-operatives Predominate

Agricultural co-operatives constitute 45% of all Palestinian co-ops and 50% of the total membership. Twenty olive growers and olive press co-operatives cover most of the West Bank, serving members and non-members alike in pressing and marketing.

The livestock sector represents more than 30% of the agro-economy of both areas. Livestock co-ops, with total membership of 1200 represent 26% of active co-operatives. Five livestock co-ops have recently established mini-

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dairy factories providing local markets with milk products.

Union Established

Agricultural marketing co-operatives have recently been established on a district basis. Eight such co-ops now serve the community by issuing certificates of origin for export of agro-products to Jordan, and providing agromachinery services. Three years ago those societies formed a second degree union to support the primary co-ops in the agricultural sector.

Service-oriented co-operatives form an important sector. Of 92 housing co-operatives, whose total membership exceeds three thousand, only 1458 housing units were built, and only 30% of those are now inhabited, because the problems facing this sector are awesome indeed. Mortgage and banking systems for housing are non-existent; physical infrastructure is inadequate, and obtaining building permits from the authorities often presents insurmountable difficulties.

Village Electrification

Electrification co-operatives are serving 16 villages with a total membership of more than 5500 households. The Union of Electric Co-operatives renders important services to its members. With the technical assistance and financial support of one of the PVOs, the Union is now helping with bulk purchases of fuel, maintenance and repair of generators and networks.

Palestinian co-operatives provide members not only with much needed services, but also with a valuable learn-

ing experience in democratic decision making. As a vehicle for democratic values and economic self-reliance, the co-operative concept is likely to become one of the best remedies for the economic hardships endured by the people of the West Bank and Gaza Strip.

Co-ops Ship Directly to Europe

Many believed it couldn't be done... and yet, in June 1990 when a major marketing workshop took place in Jerusalem, bringing together Palestinian co-operative farmers, importers from Europe, and representatives from the European Community, United Nations Conference on Trade and Development/International Trade Centre (UNCTAD/ITC), and US co-operatives, the mood was one of pragmatism as well as celebration. The second season of direct exports to Europe wasn't something to cry about.

EC Accord

In 1986, the European Community focused its attention on the troubled economy of the West Bank and Gaza Strip. Mr. Claude Chesson, the then EC Commissioner, proposed that equal terms be given to agricultural producers in these areas as those given to Israel under EC agreements. A green light was flashed in 1988, when the EC and Israel signed an accord, which was then followed by a formal agreement between the government and Palestinian agricultural organizations.

Jericho and Gaza Export

The first season, fraught with obstacles, mishaps and mistakes, nevertheless taught the Palestinian exporters many valuable lessons. Shipments consigned



Palestinian agricultural and marketing co-operatives are getting ready for a promising 1990/91 season of direct export to Europe.

to importers in Rotterdam and Marseilles took place, as the Jericho Marketing Co-operative exported nearly 90 tons of aubergines. During the 1989/90 season, the co-op shipped 536 tons of aubergines and 21 tons of green peppers to France and Holland.

The Jericho Marketing Co-operative is one of the largest co-ops in the two areas, with 1600 farm families. Its membership extends the length of the Jordan Valley.

The Gaza Strip Beit Lahia Strawberry Co-operative made a trial air freight shipment of two tons of strawberries to England in January, 1990. The fruit was sold at a good price, and additional shipments of 10 tons followed.

In addition, twenty five tons of tomatoes were also flown to Europe last winter.

Reports from European markets indicated that the Palestinian co-operative produce was well received, and the vegetables began to find brand name recognition, especially "Jericho vegetables" and "Produce of Gaza Strawberries". With two seasons behind them, Palestinian co-operatives have shown the European Community that they can export the premier quality produce demanded by the European markets, as well as abide by EC standards and meet deadlines in spite of formidable obstacles.



Members of the Belt Lahia Co-op perform inspection of the strawberry crop to ensure quality.

EC Ambassador Lauds Exports

EC Ambassador to Israel, Mr. Gwyn Morgan, concluded a speech he made at a workshop in June 1989, at Notre Dame International Centre in Jerusalem, on an optimistic note:

"The reasons why we believe that you can go ahead and in one or two years double

the amounts that you have produced and exported to Europe, are manifold: one is, that we think the Palestinian grower now understands the mechanisms better, and two, there is more room for co-operation... and this can produce better export conditions."

Trade Policies for the Small Farmer (cont/d from page 62)

The terms of trade for agricultural commodities and food articles have remained, and will continue to remain, unfavourable as compared to industrial goods.

In this context international trade negotiations have far reaching socio-political implications for the developed and developing countries in which

small farmers constitute an influential section of the population.

Agricultural trade-related policies of the future should aim at universal access to food, environmental preservation, increased productivity, improving the economic conditions of the small farmers and linking agricultural production with future consumer needs.

Capital Formation

Capital and Co-operatives

by Peter McKinlay*

"The true problem is not the preservation of co-operative institutions, as they have been or as they are, but the application of essential co-operative principles in appropriate forms for contemporary circumstances. The challenge is not only material, but intellectual. The history of movements, as of nations and civilisations, is the story of their success or failure to rise to the challenges which confront them as the generations and centuries roll by."

W. P. Watkins, ICA Director, 1951-1963

The Long Winding Road

During this decade we will celebrate the centennial of the International Co-operative Alliance. Such an event naturally becomes a time for reflecting on where we have come from and where we are headed. This is likely to be all the more the case as the decade will also witness the 150th anniversary of the Rochdale Equitable Pioneers Society whose principles of co-operation have become the basic principles of co-operation internationally.



We face, now, two issues undreamt of by the Rochdale Pioneers when they first set forth the principles of co-operation. On the one hand, the co-operative movement has been successful to an extent which must far outstrip even their wildest dreams. On the other hand, it faces challenges - in some respects threats to its very existence - resulting from developments in factor, product, and capital markets which could not have been foreseen one hundred and fifty years ago, or even one hundred years ago when the Rochdale Principles were accepted by the founders of the International Co-operative Alliance.

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This leads to the second dilemma which will face co-operators as we approach the second century of international co-operation. Do we take the basic principles of co-operation as though they were written in tablets of stone or do we treat them as living guides capable of evolving to meet new circumstances? Perhaps the best way to think of this issue is to look at it through the eyes of the original Rochdale Pioneers themselves. What they sought to do was to develop a set of principles to deal with the world as they knew it and to serve as a firm basis for the development of co-operation in mid nineteenth century England.

Would those original Rochdale Pioneers, however, have seen themselves as clear-sighted prophets of the conditions and needs of the late twentieth century? In character, they seem to have been both humble and practical in their dealings with the world in which they lived. This suggests that their approach to developing and applying the principles of co-operation would not have been one of saying that they had got it right for all time. Rather whilst adhering firmly to their belief in the essence of co-operation, it would seem certain that they would have looked long and hard at the world around them in the 1990s before setting out their detailed requirements for building a co-operative structure. In this paper I will take the approach which I believe would be that of the Rochdale Pioneers if they were with us today: to cleave to the basic spirit of co-operation - working together for mutual benefit - whilst recognizing that change in external

conditions can justify change in the interpretation or application of the detailed principles of co-operation.

The Financial Obstacle

The relationship between co-operatives and capital is probably the most vexed issue affecting the co-operative movement today. Arguably, the failure to deal adequately with the role of capital in the modern co-operative has played a major part in the virtual collapse of consumer co-operatives in France and in Germany, their mounting financial difficulties in Sweden and their gradual decline in England. Agricultural co-operation has seen a gradual conversion of co-operatives into limited liability companies and an increasing tendency to seek stock exchange listing.

In this paper I will argue that what we have seen is a failure, within co-operatives, to recognise the implications of changes which have taken place in product, factor, and capital markets and to develop a positive response firmly rooted in the spirit of co-operation. As a consequence, we risk losing much of what has been gained in the past hundred years of co-operative development.

I am, by nature, an optimist. I believe that we still have the opportunity to rise to this challenge and that, if we do, it will put co-operation on a very firm footing as we move into the second century of the international movement.

Back to the Basics

First, however, we must go back to the original principles underlying the use of co-operatives and the circumstances

in which those principles were developed. The three key principles were and are:

- (a) Democratic control - one member one vote.
- (b) Limited return on capital.
- (c) Return of surplus to members in proportion to their dealings with the co-operative.

These three principles were part of a movement which established co-operatives as the "middle way" between private enterprise and state owned activity. Co-operatives were to be controlled by the people for whom they were operated, but on the basis of their status as members and the democratic rights associated with that status, NOT because of individual economic power reflected through their ownership of the capital used by the organization.

This was in direct contrast to what was seen by co-operators as the role - or character - of private business; to use private capital in the interests of its owners by exploiting those with whom the business dealt.

Those principles were developed at a time when the conventional business unit - co-operative or private - was small in scale. In the private sector, it was very typically owned and controlled by a single individual or a small group of individuals. Generally, society lacked both the technical and managerial skills required for the operation of large scale business either in manufacturing or in distribution. Relatively poor transport systems meant that most people had a very limited choice of supplier for the

goods and services they required or outlets for the ones they produced.

Capital markets were relatively unsophisticated. Business capital was substantially supplied by private individuals with the attendant costs and inefficiencies associated with that approach to mobilising capital. Today, we face a very different situation. First off, the character of private business is substantially different from that confronted by the early co-operators. Then, the typical private business was managed by its owners. The capitalist who sought to exploit the isolated consumer or farmer was very much a real individual out to maximise (almost always his) income.

In contrast, today the typical business in the private sector is run by professional managers; whilst owner management with substantial domination by private owners is still a common feature, increasingly the dominant owners are institutions investing pools of savings gathered together from ordinary workers or farmers. In Sweden, for example, the "capitalist" owner of capital in a "private" business may be a union-managed wage earner fund or Folksam, the co-operative insurance company. In Japan, it will increasingly be a pension fund or a life insurance company. The same pattern repeats itself in most other developed countries.

Thinking Big

This is a fundamental turn around in our analysis. Can we directly apply to modern conditions, where most capital is the assembled savings of small savers through pension funds and other

long term saving arrangements, an analysis developed in response to the owner managed business of the mid 19th century? The same type of situation is equally apparent on the co-operative side of the ledger. The Rochdale Pioneers were developing principles for democratically controlled societies for which control was quite clearly vested in the membership. As the years passed considerations of scale, whether in distribution or in production, forced a series of mergers which have given rise to the multi-thousand member co-operatives which now dominate the co-operative movement.

This change has led to a real questioning of whether co-operatives, as currently structured, can any longer claim to be the democratic organizations envisaged by their founders. One well known commentator on co-operatives, Villy Sogaard of the University of South Jutland, has concluded that:

"...As a result, modern co-operatives do not seem to be more co-operative than other large organizations..."

Why Participate?

For many people in co-operatives, this conclusion will be extremely unpalatable. To the extent that it is accepted, it would be seen as a failure of democratic commitment and the likely response would be to seek ways of trying to encourage membership involvement through programmes of member education, incentives to participate or whatever. The plain truth seems to be that the decline in member involvement is mainly related to two factors:

(a) The higher costs of member participation in larger organizations;

(b) The relatively low returns from participation.

Effective participation has to be thought of in terms of influencing the organisation to do or not do something - in other words achieving a change in policy. Individual members face high information costs, as compared with management, in debating these sorts of issues. They also face high costs in terms of persuading other members to their point of view. In contrast, the returns from participation are likely to be low for at least two reasons. First, many co-operatives have achieved their original tasks. Thus, for many consumer co-operatives the challenge today is not that of providing members with lower cost, better quality products, than private sector competitors; rather it is keeping up with the service and quality provided by the private sector. Why participate if the organization's goal, as far as you are concerned, has already been achieved?

Secondly, assuming that you do have a substantial difference of opinion with the management of the organization, even if you thought that you might be able, by putting in sufficient effort, to bring about a change, it might still be rational to do nothing. The reason for this is that, as the actor for change, you will incur all of the costs, but, as only one of a membership of thousands, will receive only a very small part of the benefit. Taken together, these two factors go a long way towards explaining the fall-off in democratic participation. They do not, however, as I shall discuss later, necessarily undermine the arguments for co-operation.

Types of Capital

Before discussing the implications of this analysis for the role of capital in the modern co-operative, it is necessary to say a few words about the nature of capital. Broadly, co-operatives draw capital from two sources. The first is membership. Membership capital may come either as subscriptions for membership shares, as loans from members (consumer co-operatives, as an example, have consistently encouraged their members to place their dividends back on deposit with the co-operative) or as retentions from their dealings with members. Their other source has been credit, whether specific loan finance of various kinds or trade credit from suppliers.

Private sector businesses access all the types of capital used by co-operatives. In addition, they also use equity capital; capital which entitles the holder to a share in profits and a share in the net assets of the business. Increasingly, the ability to access equity capital, as well as other forms of capital, is giving private sector business a competitive advantage over the co-operative sector, as it is able to command more resources. Typically, in the private company, this type of capital also carries with it voting rights the exercise of which provides for control of the business.

Capital in a Changing World

The analysis in the first part of this paper suggests that we should give very careful thought to two issues.

The first is whether the use of equity capital - capital entitling the holder to a share of profits and of assets - is

necessarily in conflict with co-operative goals; the second is whether the present ownership structure of large co-operatives is consistent with co-operative goals.

We have already seen that, in contrast to the situation a hundred years ago, the major sources of capital in today's world are the accumulated savings of people who themselves are best described as "ordinary". For the most part, in their own countries, there is probably little to differentiate the typical saver through a pension fund or life insurance company from the typical member of a co-operative.

The three key principles governing the use of capital in co-operatives have operated, with few exceptions, to exclude non-members from holding ownership capital. The principles have also discouraged co-operative members from thinking about their interest in the co-operative in ownership terms - thus, the accumulated capital in consumer co-operatives is not thought of as a capital fund which should be managed in the interests of its owners, so much as a resource which enables a particular business structure to keep operating. A hundred years ago, the strict impact of principles such as "limited return on capital" (which was commonly interpreted to mean "no return on capital") was effective to protect the fledgling co-operative movement against predators. Today, paradoxically, the effect of these principles seems, all too often, to be to deny co-operatives access to the capital they need to compete effectively against the private sector. In other situations, such as major consumer

co-operatives, the principles have often hidden from members the need to focus on the effective use of capital to achieve their goals as consumers; instead, in several instances, we have seen consumer co-operatives collapse with a loss of the capital inherited from earlier generations.

To get an understanding of how problems with capital have impacted on different aspects of co-operation, let us now look at what has happened in two different categories of co-operatives, consumer co-operatives and agricultural co-operatives.

Consumer Co-operatives

Consumer co-operatives, particularly in northern Europe, but increasingly, now, in countries such as Japan, have been one of the major success stories of the co-operative movement. In northern Europe, they pioneered, ahead of the private sector, the development of major vertically integrated production and distribution systems.

The success of the business strategies adopted by consumer co-operation meant that, over many years, consumer co-operatives were able to build up a strong capital base from a combination of retentions from surplus and growth in asset values whilst, at the same time, rewarding their members with substantial annual rebates.

Today, the situation is very different. In 1987, much of the consumer co-operative movement in France went into liquidation. In 1989 the German consumer co-operative system was placed in receivership by its bankers. In England, the Co-operative Wholesale Society has been steadily losing market share and its long-term financial viability has to be considered doubtful.

Even in Sweden, where consumer co-operation achieved, arguably, its greatest impact, the picture is one of relative decline as appears from the following table:

Solidity* and Refunds of the Swedish Consumer Co-op Societies 1960-1985:

	1960	1965	1970	1975	1980	1985
Solidity	48	41	38	35	26	27
Refunds as a % of net sales	3.01	2.8	2.73	1.95	0.53	0.54

Source: Annual Reports of The Swedish Co-operative Union and Wholesale Society (KF) as analyzed in a paper by Hugo Kyleback : The Refund system - a positive and negative factor within the Swedish Consumer Co-operation during the post-war period.

*Solidity is the proportion of membership capital in the total capital resources of the organization.

Arguably, within consumer co-operation, the key issue is not so much that of access to capital, including the question of retentions versus rebates, as how to regard the capital which currently belongs to consumer co-operatives. Typically, unless consumer co-operatives have regulatory advantages over the private sector, the impact of competition on consumer co-operatives far outweighs debates over the size of rebates and how surplus should be divided between retention and rebates. The plain fact of the matter is that consumer co-operatives are not generating sufficient surplus to ensure their long-term survival.

Focusing on the Goals

For consumer co-operatives, the issue seems to be the rather different one of how the present generation of members and managers deal with their inheritance from past generations of co-operators. In my view, the net worth in consumer co-operatives should be seen as something which is held in trust, on behalf of all consumers, rather than simply the accumulated surplus of a particular type of business. This may suggest a quite radical and proactive approach to restructuring the consumer co-operative movement. This should begin by looking at what are the key goals which consumer co-operation, in the 1990s, would set as its priorities. It is highly unlikely that, if we were to sit down today with a completely blank sheet of paper and list consumer priorities, that they would focus on establishing or maintaining a retail distribution system. The very reasons for the difficulties faced by much of consumer co-operation is that

the private sector, in the judgement of consumers as reflected by their spending patterns is only too often able to do this rather better than consumer co-operation itself. Instead, could I suggest that, for the 1990s the objectives of consumer co-operation are issues such as:

- (a) Promotion of environmentally benign products, with a link to such things as organic cultivation.
- (b) Peace and social justice which could include the pro-active encouragement of exports from developing countries.

If we took such a view of consumer priorities, then we might decide that it was no longer sensible for consumer co-operation actually to own major manufacturing and distribution systems. Instead we might take the view that we should dispose of those assets (possibly seeking to encourage other forms of co-operation as we did so) and change the focus of consumer co-operation from being a series of businesses, to being a membership-based trust whose inherited surplus from the past was invested in income generating assets (which might, for example, be loans to producer or housing co-operatives). That income could then be used, directly, to support research into the key priorities of consumer co-operation and to provide incentives for other organizations to work with consumer co-operation in achieving those goals. This is a view of capital which says that capital should be seen as social energy held in trust on behalf of both past and future generations as well as current co-operators.

It is a view which says that we should not be wedded to the survival of our present ways of using that capital but should, instead, be asking ourselves what are our current goals and how can we best release the social energy contained in our capital in order to achieve them.

Agricultural Co-operation

Agricultural co-operation, along with consumer co-operation, has been one of the major success stories of co-operation. In many countries, agricultural co-operation is responsible for a substantial percentage of the total market in servicing the needs of the farming sector, whether by way of providing inputs, processing the outputs, or meeting the credit requirements of farmers.

Unlike the situation in consumer co-operation, agricultural co-operation still faces essentially the same central issue today as confronted the original co-operators: the challenge of protecting the individual farmer against market forces which, in the absence of protection, could treat the typical farmer as a residual price taker, thus impoverishing the farmer to the benefit of the businesses which dealt in farming inputs and outputs.

For agricultural co-operation, the issue of access to capital, whether by retention from member surplus or by raising further capital, has become increasingly important. There are two reasons, both reasons of scale, which have given rise to this. They are:

(a) Agriculture, particularly at the processing level, is an increasingly

capital intensive business. Dairying, for example, has shifted from the simple separator technology of Gustaf de Laval to the highly sophisticated frontiers of capital intensive/biotechnical activity, with milk increasingly becoming the raw material for very sophisticated and expensive products; and

(b) The scale of business has increased dramatically so that farmer-owned co-operatives now compete, in the market place, against vertically integrated trans-national firms whose resources run into many billions of dollars.

This has two major implications for farmers:

(a) The proportion of the farmer's total investment which is needed to finance his or her share of co-operative membership is rising dramatically; currently, in my own country, New Zealand, it is estimated that the net worth of the off-farm structure of the industry - the dairy co-operatives which process the product and the Dairy Board which markets it - is \$NZ 150,000 per farmer (approximately \$US 90,000). Analysis of the industry shows that, although in purely legal terms, the value of the farmer's shareholding in the industry is nominal, it has, in practice, become factored into the price of dairy farms so that farmers, entering the industry, as well as purchasing the farm and associated plant and livestock, also make a major investment in off-farm assets.

- (b) As the scale of off-farm business increases, both as a consequence of increasing capital intensification, and as a consequence of increasing vertical and horizontal integration, so the size and capital resource required to maintain the competitive position of the co-operative sector increases.

Internationally, these trends have put increasing pressure on the ability of farmers to meet the capital needs of their co-operatives as they are torn between their own needs for income, and funds for on-farm investment, and the fact that they are the only source from which their co-operatives can obtain the equity capital they need to compete against the private sector.

A Possible Solution

Both types of co-operative which have just been examined show separate, but serious, difficulties confronting co-operation associated with the use of capital. Each, I believe, demands that co-operators go through a four-stage process (which should also be used in other sectors such as worker co-operation) as follows:

- (a) Define the key objectives for co-operation in the sector concerned;
- (b) Review the alternative means for achieving those objectives;
- (c) Specify the resources required to pursue the preferred means;
- (d) Review the options for obtaining those resources recognising, as the overriding constraint, the need to create structures which are at least as efficient as their private sector equivalents (failure to achieve this

will likely lead to business failure as a result of competitive pressures from the private sector).

Traditionally, co-operation has taken the view that the best way to achieve desired objectives is to own the means of doing so. Conceptually, there is at least one alternative available. This is for co-operators to combine together not as owners of organizations which produce goods or services but as potential customers of such organizations. In this approach, co-operators would focus on setting and monitoring the required standards of service, codes of practice and the like, on providing incentives for producers to focus on particular activities and on setting common contractual terms.

With the exception of consumer co-operation, the type of analysis I have suggested would lead quite quickly to the conclusion that co-operators need to own business structures with certain productive and other capabilities. In turn, that would suggest certain capital requirements, both immediate and long-term, as businesses seek to grow in order to meet changes in their technological and market environments.

In virtually all businesses in the worker co-operative and agricultural co-operative sectors this "ideal type" analysis would quickly demonstrate a capital deficiency as it became plain that the ownership capital required to give the co-operative the scale of operation and flexibility it requires to compete against the private sector is beyond the reasonable ability of its membership to meet. This should not come as

a surprise to any of us. Agricultural co-operation, in particular, has been marked in recent years by different, and sometimes quite ingenious, endeavours to extract capital from members. I do not propose to analyse those in detail but, instead, suggest what I believe we are all coming to recognise; that however ingenious the measures may be they all ultimately run up against the same common problem. There is simply a limit to the financial ability of co-operative members to finance the ever-increasing capital requirements of their co-operatives. At the heart of this problem is the ability which private sector agri-business has to access capital markets for ownership capital. So long as private agri-business can draw on this source of funding, and co-operative agri-business can not, increase in scale simply plays into the hands of the private sector.

It is time to return to the discussion in the early part of this article which looked at the changing nature of capital markets since the mid-nineteenth century. When the co-operative movement was becoming established, equity capital was essentially a matter of private arrangements in a very uncertain market, where the owner manager or the individual capitalist promoter dominated.

Today, as we have seen, the situation is very different. Much - probably the majority - of capital in the world's capital markets now represents the accumulated savings of millions of individuals. That capital is made available to end users in one of the most open and competitive markets for any

business input. We need to ask ourselves, quite seriously, why a co-operative business should, as a matter of principle, have any greater concern about purchasing capital in the market than it has about purchasing any other input in the market. The immediate answer, of course, is going to be that capital, unlike other inputs, carries with it the question of control - a threat to the one member one vote democracy of co-operatives.

There are at least two answers to that:

- (a) Co-operatives first gave away that principle when they elected to borrow money or incur liabilities on a basis which allowed a lender to put in a receiver/liquidator in the event of default. It seems likely that many co-operators have not thought through the implications of this. The use of outside debt capital can be seen as a contingent agreement to hand over control of the co-operative to the representatives of that capital. That contingency is triggered by default and the loss of control is total and much more stark than anything which would result from letting in outside ownership capital.
- (b) Although ownership capital held by investors has typically carried with it voting rights, this need not necessarily be the case. There are a range of equity and quasi-equity securities known to capital markets which carry few, or even no, voting rights.

The essence of the objection is more likely to be the idea of outsiders sharing in asset growth. That objection is

reasonable if you wish to exclude speculation - so-called paper shuffling - from influence in co-operatives. However, most equity investment is not of this character. Rather, the different type of return it receives reflects its function as residual risk bearer in the organization. Providers of debt, as co-operatives learn to their cost, expect to get their steady stream of income regardless of how well the co-operative performs, and to get their capital in advance of members. Equity capital accepts the risk of fluctuating returns and the risk of business failure.

Rights, Duties & Privileges

As co-operators, can we legitimately argue the case for long-term equity investments for the benefit of individuals as savers - as is the case with mutual insurance companies or innovations such as wage earner funds - and not accept the other side of that argument, that their type of investment has a socially useful role to perform? I suggest not.

I believe we need to start by separating out rights, responsibilities and privileges we have as co-operative members and as the providers of co-operative capital. So far, we have treated these two functions as one and the same. There is no logical necessity to do this. Consider, for example, a farmer. As a co-operator, s/he receives the support of other farmers when entering the market place. This support helps him or her purchase needed inputs at acceptable price and quality standards. It also protects the farmer against exploitation when his or her product enters the market place.

Next, consider the farmer as a provider of co-operative capital. Doing this decreases the individual farmer's own capital resources, often substantially. It reduces his or her income as the co-operative retains capital for its own needs. It erects barriers to new entrants by requiring them, in effect, to purchase not only the farm but also the often substantial investment in the co-operative structures off-farm.

If the farmer gets into financial difficulty, he or she cannot sell or borrow against the investment in the co-operative. In my country, the recent agricultural recession has seen a number of farmers forced out of business who could have remained in farming had they been able to access their investment in their co-operatives. Is this really the kind of situation we wish to see?

The alternative is to take a proactive approach to the problem and develop co-operative infrastructures where membership rights and capital issues are separated. In New Zealand, we are currently exploring the possibility of restructuring co-operatives so that control is vested in a body which has no capital stake in the co-operative business itself. Ownership capital in that business will be held, initially, by individual farmers and may well be listed on the stock exchange - which is the most effective means of providing a market in capital. Further ownership capital can then be raised, by the traditional process of issuing further ownership units, with a defined right to participate in income and capital, and letting capital markets put a price on those instruments.

This will lift the burden from individual farmers of financing the ever-increasing appetites of their co-operatives, driven by increasing capital intensification and business scale, and it would also free co-operatives from the business constraints they face because their members cannot fund them to the extent needed if they are to compete effectively against an ever-intensifying private sector.

The same technique could equally well be used in sectors such as worker co-operation where access to ownership capital is a major constraint on development. I believe that this approach will sharpen rather than blunt the co-operative mission of such organizations. Members will then be able to focus solely on the fact that they are members of a co-operative. They will no longer need to be limited in their plans by the consciousness that any decision on capital expenditure will automatically hit the interest in their pockets. This type of restructuring also offers an answer to the problem of the loss of democratic participation in large co-operatives, coupled with a shift to management control, because it explicitly separates issues of the provision of capital from issues of co-operative participation and control, and therefore it has the potential to re-enfranchise members. In turn, this could lead to a real revival of the co-operative spirit, a very fitting introduction to the ICA's second century.

Two Different Functions

Currently, in co-operatives, we combine the role of membership and that of providing ownership capital. You

may not be a member unless you provide ownership capital and you may not provide ownership capital unless you are a member. As a direct consequence of this, we also combine the management of those two separate functions. Co-operative managers are responsible for the management of the business - and the ownership capital which underpins that - and are also responsible for nurturing the democratic process within the co-operative.

These two management functions require very different skills and sensitivities. Typically, we employ managers in co-operatives because of their business skills - we are very conscious that financial viability and service to members, in a commercial sense, is critical to survival. Persons selected for those skills rarely have the skills required to nurture democratic participation. As a consequence, by combining the two responsibilities within the one structure, we have substantially undermined the democratic process which lies at the heart of co-operation.

Reorganizing co-operative structures, as is recommended in this paper, would separate out the democratic structure from the business structure. Resolving the problem of democratic participation, it offers the opportunity of re-enfranchising co-operative members.

Internationally, within the ICA, we should be looking for the active support of co-operative financial institutions in meeting the challenge of capital. What better use for their investment funds than assisting with the needed restructuring of their co-op-

erative brethren - and what better source for outside ownership than organizations which are, themselves, committed to the principles of co-operation.

This approach, I suggest, is facing the challenge of the 1990s with the tools of the 1990s. Unless co-operatives can access capital markets as easily as the private sector, they will lose the contest as surely as an athlete who is sent

out to race without being adequately trained. Effective use or access to capital is the greatest challenge yet faced by the co-operative movement. Whether William Watkins foresaw this when he wrote the words which appear on the title page of this paper, I do not know, but I am sure that, given the arguments which have been put before you, his advice would be to take up the challenge.

Interest and Surplus in a Co-operative

by Zvi Galor*

Nature of the Co-op Enterprise

"A co-operative is an independent enterprise which differs from a private enterprise or public company." (Fauquet, p.14). The main difference between these two kinds of enterprise is that the basic element which holds a private enterprise together is its invested capital, whereas the basis of a co-operative enterprise is its membership rather than the level of the members' investment in it.

It might be said that the best co-operative is the one which is able to provide the best service to its members. A consumer co-operative is deemed successful when it sells to its members at the lowest prices. A credit and sav-



ings co-operative will pay its members a higher rate of interest than that offered by other savings organizations and will deduct a lower rate of interest from its borrowers' accounts than that demanded by the banks, and so on.

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Share Capital

One of the most important stages in the formation of a co-operative is the acquisition of a share in the society. We note that many co-operatives, particularly those in developing countries, rely primarily on external finance. The members' shares constitute a very small part of the overall real funds. (Munkner, p.54). Indeed, there are some co-operatives which only ask each member to contribute a nominal amount; others, however, demand that their members pay a high share price. (Desroche (1976), p.27). The fact is that the co-operatives have no common policy on shares. Finance is a major problem which usually carries with it serious difficulties.

Member-user

There is a category of co-operatives whose members are also its users. Into this category fall the consumer co-operatives, credit and savings, housing and insurance co-operatives. Generally, this type of co-operative does not, by its nature, need to limit its membership and the share value required is fairly low.

In the second category the members are distinct from the users. In a production co-operative, the member is the producer, and the user, the customer. In a construction co-operative, the members are the builders - the masons - and the users, the homebuyers. In this category of co-operative, the number of members is usually limited while their share value is likely to be high. It should be noted that, according to co-operative

theory, and in my opinion mistakenly, the member and user should always be one and the same (Lambert (1963) pp.232-233). Lambert attempts to analyze the nature of the agricultural production co-operative, and he comes to the astonishing conclusion that any co-operative whose members work for their private gain is not a co-operative. In fact, 'world-wide experience - including the Israeli moshav - shows that in most cases this is the only model assuring the success of the agricultural production co-operative.

Member's Obligation

In the past, the role of the share purchase was seen as a kind of enrolment act, the price of entry into the co-operative. No emphasis was placed on the relationship between a member's investment in the co-operative and the co-operative's need for capital. This omission resulted in the fact that the co-operatives were increasingly financed by external sources, while the member's commitment to the co-operative weakened, first in capital terms, and then in terms of his personal involvement in the co-operative's success. If the co-operative failed and its funds were exhausted, he remained indifferent: it was not his money and he, as a member, bore no responsibility for the borrowed capital. Here we refer to a process which has been ignored in specialist literature as well as in co-operative practice.

Thus, it is clear that the member has an obligation to introduce his relative share of the capital required for the forma-

tion and operation of the co-operative. This capital is in the form of shares (Lasserre (1959), p.18). The member thus takes upon himself all the promotional responsibilities; he is answerable for losses and economic risks, and he guarantees, by his personal involvement, the credit worthiness of the co-operative.

What is a Share?

The share implies the following:

- The right to membership in the co-operative.;
- The obligation to cover the complete cost of the relative share of the member in the co-operative.

If we translate the above statements into figures, we see that the share value equals the total investments required for the co-operative's formation and operation, divided by the sum total of its members. Using this formula we can see that, in those co-operatives where the member is also the user, the price of the share is relatively low, whereas in co-operatives where the member is not the user the share value is relatively high.

The co-operative's assets are made up of the members' own financial contributions and borrowed capital. It is necessary for the co-operative to tap external capital in order to cover its financial requirements in full (Turtiainen, p.25). If we accept this approach, we are led to ask who does, in fact, hold responsibility for the capital borrowed by the co-operative?

In many cases, the members of the co-operative hold responsibility only for the capital which they themselves have contributed in the form of shares. The remaining capital, which often represents the major part of the co-operative's assets, is placed under the authority of an anonymous body and cut off from the members. It is important to note that another view assesses the member's interest in the co-operative's assets in proportion to the value of his individual participation in the company's activities. (Berthelot, p.24). If this theory is true, then there should be a parallel distribution of the co-operative's profits in direct proportion to the number of shares held by a particular member.

How is a Share Made up?

An initial formula for the establishment of a system of financing a co-operative must be worked out along the following lines:

The member is responsible for the overall capital of the co-operative and his share reflects his responsibility and membership. All the shares are of equal value, and every member has the right and the obligation to acquire a share. In practice, many co-operative members have few means at their disposal and do not have sufficient funds to pay for a whole share, or, in other words, the overall finance of the co-operative. The co-operative usually approaches various external sources of finance to cover its costs and all its requirements. These sources include loans or grants by governments, non-governmental bodies, co-operative

associations, banks and finance-houses, as well as the unusual source, the members themselves (Turtiainen, p.45). He who considers that the payment of interest to a member in order to encourage investment is an act which contradicts the nature of the co-operative (Lambert (1963), p.77) may be ignoring the main key to ensuring a sound economic basis for the co-operative.

Why is it right to encourage members to invest their savings in the form of loans to the co-operative (Yunus, p.17)? The money has a price. The quality of the credit source is defined according to the level of interest, the ease of loan availability, and the repayment terms. It seems that, in most cases, a loan offered by a member would be the cheapest, most convenient and most reliable for the co-operative (Stockhausen, p.7). All the co-operative has to do, in such cases, is to offer a higher interest rate than that offered by other financial institutions. Both parties stand to gain from such a deal: the member obtains an income in the form of higher interest rates than those offered by the bank; the cooperative pays a much lower rate of interest on the loan than that demanded by other sources of finance. Such a scheme provides comprehensive financing for the co-operative, complete payment by each member of his share, and, most importantly, the commitment of the member to his co-operative. The member knows that in the event of the co-operative's failure it will be he who will have to repay the loans and not some abstract and isolated body called a co-operative.

Surplus in a Co-operative Who Receives Surplus?

The co-operative principle states that the surplus or gain of a co-operative belongs to its members and shall be distributed in the following way :

- (a) A portion shall be reinvested and used to expand the activities of the co-operative;
- (b) Another portion shall be used for social purposes for the benefit of the co-operative's members;
- (c) The third portion, usually the largest, shall be repaid to members in proportion to their level of participation in the co-operative's activities (Lasserre (1959) pp.13-14).

Who does the co-operative's surplus belong to? In a credit co-operative, the surplus is distributed among the borrowers. In a marketing co-operative it is shared among the producers. The surplus is usually made up of the difference between total income and total expenses of the co-operative (Turtiainen, p.23). The surplus is returned, in principle, to the members. However, there are schools of thought which hold that at least a portion of the surplus should be designated for social and educational ends, for cultural activities and even for the expansion of the co-operative (Lambert (1963), p.77).

To discuss surplus, we actually need to examine a number of areas. The first relates to the question of surplus or gain. The second, the problem of the service provided by the co-operative to its members: should this be at a

price cheaper than or equivalent to market levels, and, when all's said and done, is there really any need for profit in a co-operative? The third area concerns the question of the use of profit-engendered funds for various other ends, as defined in the co-operative principles.

What is the Surplus?

Many researchers in the co-operative field make use of the concept of gain in their attempts to describe and to explain the nature of surplus in a co-operative. The co-operative's aim is to provide a highly efficient service to the member accompanied by the possibility to buy at the very lowest prices. Therefore, the concept of profit is contrary to the co-operative spirit and the only fitting term for the product of a co-operative's operations is "surplus".

The Price of Services

One of the most serious problems is the evaluation of a service rendered, or a product sold, to the member. The basic principle rests on the theory that the co-operative's role is to provide the most efficient service possible for its members, or to sell its produce to the members at the price which reflects the purchase price plus the sum total of direct and indirect costs. In such a case there is no surplus (Lambert (1965), p.9).

Will such a policy encourage the member to buy more from his co-operative, as Lambert believes; is there an unchangeable law here which cannot be violated, whereby we apply a policy based on market prices, and we

share the surplus among the members at the end of the exercise? (Lambert (1963), pp.79-81).

Let us return to the question of price. Several French thinkers oppose Lambert's viewpoint: The first (Lasserre (1959), p.21) states that one should really sell to members at net prices and that there is no need to create any surplus in a co-operative. When the member makes a purchase, he pays a temporary price, and it is only through the process of reimbursement of surplus that the final price of the product or service can be assessed.

According to the international principle this surplus should be divided three ways. The third section of this principle does not pose any real problem, and its application is an integral part of the operation of every co-operative. It is regarding the two previous sections of the principle that a problem arises.

In my opinion, it is a mistake to invest part of the surplus in the expansion of the co-operative. Each investment must be equally backed by all the members of the co-operative. If we invest a portion of the surplus, we oblige whoever has purchased most to take a greater share in the investment, while another member who has bought less will have a smaller share.

From the previous explanation it appears that the surplus, in fact, constitutes an advance payment made by the member on account of the product or service he receives from the co-operative. Let us take the example of

the member who has purchased 100 units of a given product from the co-operative. For each unit the price is made up of the purchase price and the total expenses of the co-operative, plus an amount for the surplus. If we decide, for example, that 50% of the co-operative's surplus will be invested in its expansion, it will work out that he will have invested 100 units while another member may have invested 1000 units. This seems as if a crying injustice is being perpetrated among the members of the co-operative. The large majority of co-operatives reinvest their surplus money. They do so with the firm conviction that they are acting correctly and in conformity with the principle (Cobia, pp.14-15). In fact they are perverting the co-operative principle by this practice. In the long run, it will eventually lead to feelings of alienation and injustice among the co-operative members. Furthermore, a capital is being built up within the co-operative which is independent of the members who initiated it.

Financial Structure

A number of existing principles have a bearing on any discussion of this subject:

1. The member's share represents his participation in the overall investment in the co-operative;
2. The share carries with it the member's entry-ticket into the co-operative;
3. The member's participation in the co-operative assets must be equal, and all increases in these assets must

be accompanied by equal involvement on the part of all members;

4. The interest paid on shares is the only return on the investment in the co-op.

The financial structure of the co-operative is made up of a number of elements. Firstly, there is the member and his financial relations with the co-operative. The second aspect relates to the various departments in the co-operative, their structure and the manner in which they function from a financial point of view. The third element is the administration and the method of financing the overall running expenses of the co-operative.

The member is really the one who finances the co-operative, and he is financially responsible for its activities (Munkner (1979a), pp.70-71). We find a problem in many co-operatives, where the members are not in a position to accept this responsibility which may be solved by means of the method applied by the transport co-operatives in Israel. New members pay a deposit of 15-25% of the share price, and are loaned the remainder by the financial organizations with which the co-operatives deal. The result is that the co-operative receives the whole share, and the member is accepted with full rights into the co-operative but is responsible for the credit which he will work long and hard to repay. In many co-operatives throughout the world, the amount which the member must pay is very small and the raising of the balance capital is made through external credit sources (Munkner, 1979, p.73).

Departmental Expenses

The second element making up the co-operative's financial structure is its departments. All the departments are managed independently and keep separate books within the accounting system of the co-operative. The capital which is intended for the department's existence is divided into two parts: the first is the basic investment necessary for the department and the second is to cover running costs. Let us take, for example, a milk marketing department in an agricultural co-operative which is financially composed of the investment required for its establishment and the costs needed for its operation. What is the key to the division of the investment among the members? There are two methods: according to the first all the members of the co-operative are equal, and so each member must participate equally in the investment. According to the second method, all the costs connected with the department's establishment and operations are added to the marketing cost of the department's milk (Deshayes, pp.56-57). In this case, the level of participation in the investment finance of whoever has marketed 10,000 litres of milk is ten times higher than that of someone who has marketed only 1,000 litres. The second approach is unfair, unjust, and promotes a feeling of frustration among the members leading, in the long run, to alienation of the member from the association (Koulytchizky p.14).

General Expenses

The third element of the financing of the co-operative is the cost of its ad-

ministration and administrative personnel. This portion of financing is entirely guaranteed by the co-operative's members, but is unevenly distributed. Administrative costs or general expenses have not been specified as direct expenses of the various departments of the co-operative and, in most cases, the members' participation is in the form of an agreed commission. This procedure is in line with the co-operative rule on co-operative surplus as applied to the make-up of the member's participation. The greater the member's recourse to the co-operative's services, the greater will be his participation in its administrative costs. The payment made by the member and expressed as a percentage of his turnover, together with the amount paid by the department, form a reliable gauge of the services they have received from the administration.

Conclusion

The co-operative is financed solely by its members. It is financed in accordance with the principles described above. All loans granted to the co-operative, for whatever purpose, must be entered in equal proportion in the accounts of each co-operative member. The co-operative principle which supports the use of surplus for economic and social investment purposes is misguided and should be rescinded. Surplus funds must be distributed among the members of the co-operative in proportion to the level of their participation in its activities, while the financing of the overall investment shall be divided equally among the members of the co-operative.

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Interview with Ann Page, UK Member of ICA Central Banking and Women's Committees

by Iain Williamson*

What can you tell us about your work for your own co-operative organization?

I have been a lawyer for 11 years and qualified while working for the UK legal department of Citibank Savings, a subsidiary of the biggest bank in the US. After seven years with Citibank, I moved into retailing as the legal adviser to the "Next" chain of fashion stores. Then I came back to my roots in the financial sector, first with one of the leading building societies and more recently with the Co-operative Bank.

At the Bank's head office in Manchester, I manage a small team which provides a range of legal services to other departments. The advice we offer covers legal areas ranging from Financial Services and Consumer Credit legislation to major business contracts. It's a varied workload and every day brings something different.

Is it unusual in your movement for a woman to reach such a high position?

I am afraid it is unusual, both in banking and in the legal profession, to find



senior managers who are female. Here at the Co-operative Bank, when I started I was one woman with perhaps 40 men who were on a similar or higher grade. So in that sense I was the first woman to reach this particular rung on the promotion ladder. Since last year, a second woman has joined me and I understand another is on the way.

In general management, about 10 per cent of the managers are female (which is slightly above the norm for banks in the UK), and I do believe women are beginning to make real progress at last. It is the same in the legal profes-

* Iain Williamson is Chief Information Officer at the Co-operative Union, Manchester, and Executive member of the Working Party on Co-operative Communications.

sion; many more women are now entering the law for a career, but the barriers in the way of promotion to senior levels are only now beginning to be broken down.

What is your organization doing to promote the role of women?

Almost as soon as I joined the bank, I was asked to speak at a management conference they were organizing on "the changing role of women in banking". That was an encouraging way to start. The Bank is genuinely supportive of equal opportunities, and this has shown itself in several ways. For example, we have won awards for the "equal opportunity" aspects of our employment and recruitment policies. Our employment policies include part-time working hours, job-sharing and a career break scheme (for both sexes) which go a long way towards helping women who want to build a career.

Another example is a very active "women in management" group in the Bank which meets regularly for informal gatherings. This group is supported right at the top, I am glad to say, by our Managing Director, Terry Thomas, who will be the guest speaker at our next dinner.

Tell us about your involvement in the ICA Women's Committee.

My involvement in ICA is twofold. I became Secretary to the Banking Committee in April last year. Later in 1990 I met Nora Willis, the Chairman, and she and Terry Thomas put my name forward for membership of the Women's Committee. So far, I have

attended only one meeting, in Madrid, but I obviously hope to become more involved during the Central Committee sessions in Berlin.

Although I have been to just one meeting, it is already clear to me that the Committee contains a lot of caring and committed people. I think it is valuable to hear the different views and experiences of the problems faced by women in other countries - it can put your own experiences into a realistic perspective.

Before I joined the Co-operative Movement I had no real knowledge of co-operation and, I admit, I still have a lot to learn. But the more I get to know, the more enthusiastic I am becoming about the potential for co-operation in the developed and the developing world.

I'm looking forward to taking a more active role in the Women's Committee and hope I can play a part in bringing the two committees I am involved in together for a joint meeting. That could be really valuable for both.

Is there a special message you would like to convey to the ICA authorities regarding the need to further promote women to positions of leadership?

The world is made up of both men and women - each half has different but equally important outlooks and opinions. Accordingly, this equality of numbers should be reflected in management as soon as possible to ensure "balanced" views and policies being implemented to-day - instead of an ideal for the future.



Book Reviews

Strukturfragen der deutschen Genossenschaften - Teil I und Teil II

Structural Aspects of German Co-operatives Part I (pp 188) by Dr. Werner Grosskopf and Part II (pp 257) by Dr. Hans Münkner. This is a Deutsche Genossenschaftsbank edition, published by Fritz Knapp Verlag, Frankfurt.

From 1987 to 1990 Professors V. Beuthien, E. Dülfer, W. Grosskopf, H.-H. Münkner, H. Seuster and their collaborators at the universities of Gießen, Hohenheim and Marburg produced an enormous study on the general topic "Structural Aspects of German Co-operatives". The study was funded by the science fund of Deutsche Genossenschaftsbank. Two parts of this study, *Der Förderungsauftrag moderner Genossenschaftsbanken und seine Umsetzung in die Praxis* by W. Großkopf and *Genossenschaftliche Identität und Identifikation der Mitglieder mit ihrer Genossenschaft* by H.-H. Münkner have been published to date.

Both studies start from the following assumption: The co-operative with its double nature (association of individuals and economic enterprise) is an economic venture organized and responsibly directed by its members. And yet there are development trends in present day German co-operation that seem to threaten the long-term perspectives of the juridical and economic identity

of co-operatives. These trends can be summarized as follows:

- The willingness of members to participate in decision making of co-operatives, to accept an honorary office and to have a share in capital contributions or to incur liability seems to be decreasing;
- Member activities tend to be reduced in scope and importance as the independence of the enterprise aspect of the co-operatives grows;
- The role of membership tends to be reduced to a mere democratic and financial formality and, as regards the economic activity, to a mere customer role;
- The relative importance of member capital as a share of total capital is decreasing, the role of non-member capital is increasing;
- The role of honorary elective office on the board of management tends to be judged in a more and more critical manner.

- The efficiency of co-operative control mechanisms is decreasing given the practical impossibility of grass-roots control by members and the difficulties encountered even by honorary officials;
- Co-operative unions are increasingly acting in favour of rationalization drives and concentration processes of co-operative enterprises;
- There is a general trend away from membership-orientation towards management-oriented co-operatives as well as a tendency for co-operatives to evolve in the direction of capitalistic enterprises.

Both authors attempt to make proposals to remedy this negative situation. Grosskopf basically proposes the material concretization of the mandate of co-operative promotion. According to him it has to be accepted that listening to the desires and wishes of membership is not a sufficient achievement for co-operative management in today's world of competition. Therefore management has to develop a specific co-operative marketing in order to "sell" the co-operative structure to the members (strategic mandate of co-operative promotion). His study analyzes which instruments could be used to create a co-operative profile, how their practical efficiency could be judged and what the chances of their success might be. According to Großkopf, target-oriented advancement of members' interests with regard to profit distribution can be specifically realized via exclusive and transaction-oriented offers to mem-

bers. He recommends the dividend principle and the re-introduction of profit sharing via high dividends. He also sees the better utilization of the systemic advantages of co-operative financial integration as a method to further members' interests (e.g. via preferential treatment for members following the example of group-life insurance). Grosskopf also recommends the creation of systemic trust in the co-operative e.g. via the high durability of commercial relations between specific, on-exchangeable partners.

The message of this view is therefore for co-operatives to develop an open marketing-oriented strategy.

According to Münkner the co-operative enterprise type as a member-based, member-oriented, self-help organization controlled by its own members possesses an unmistakable identity which should be preserved. He, therefore, postulates that any co-operative business strategy has to be founded on this basic structure and its concomitant philosophy. Thus even the most modern strategies have to be developed within this context. Münkner, however, also stresses the contradictions and the trade-offs of the co-operative characteristics (success in the market and/or with regard to members, interests of the co-operative enterprise and/or member interests, individual freedom and/or collective action). He regards the intensification of co-operative consciousness of all persons involved within the social system (members, honorary officials, leaders of co-operative unions and

common institutions) as a necessary and possible attempt of balancing all these contradictions. However, this is not to happen in view of historical experiences but rather oriented towards the future role of the co-operatives with regard to the solution of yet unsolved economic and social problems.

According to Münkner the following aspects would be adequate areas where co-operatives could develop their profile:

- **Co-operative identity:** there should be a clear and precise co-operative philosophy which has to be palpable in everyday life of members;
- **Membership base:** there should be a strong identification between the member and his co-operative (which can be evaluated by the level of knowledge the members have about their co-operative);
- **Management should be co-operative-minded:** it should try to render the task of creating benefits to members as concrete as possible and should be willing to go out of its way to inform members and stand accountable to them in this respect;

- **Capital base:** a participation of members in the good will of the co-operative (i.e. giving them a share in the reserves) would be an up-to-date method to strengthen their ties with the co-operative;
- **The role of the employees:** they should be ready to accept the corporate identity and philosophy of the co-operative;
- **Non-member business:** in view of the reduction of legal and statutory limits to non-member business the internal co-operative control mechanisms (general assembly, supervisory council) should be activated;
- **Grant co-operatives:** new mechanisms must be created in order to adapt the internal structures, participation and control-mechanisms of co-operatives that were originally developed for smaller units (qualification of members of the board of management, delegates' assembly, clear distinctions between board management and supervisory board).

We can resume that this study offers instruments to establish a future-oriented new balance of power between the actors on the co-operative scene.

Johann Brazda

Yearbook of Co-operative Enterprise

Edited by Elise Bailey, Edgar Parnell and Nickey Colley, published by Plunkett Foundation, 226 pp, £14.95.

The Plunkett Foundation for Co-operative Studies are to be congratulated on the publication of this fourth annual review of co-operative enterprise and activity. The 1991 publication contains twenty-five articles grouped within four main themes: Co-operatives in a Changing Europe; Trends in Co-operative Legislation; New Approaches to Co-operatives in Developing Countries; and an Annual Review of Co-operation in the United Kingdom. It includes reports from no less than eleven countries as diverse as the USSR, the Philippines, Turkey, Yugoslavia and Zimbabwe. For the student or practitioner - lay or professional - the Yearbook is an essential tool if one wishes to keep up-to-date with co-operative enterprise, worldwide.

Of special interest because of the obvious topicality and relevance of its articles is the section on Co-operatives in a Changing Europe. An article on Soviet Co-operation under Perestroika, by Professor Vera Matusevich of the Soviet Academy of Agricultural Sciences, describes the efforts to create a new co-operative system and the problems confronted in this task. Co-operation (it says) has shaken the stereotyped thinking on the formerly accepted advantages of state ownership. In another article Roger Jones of the British CWS discusses the implications

for consumer co-operatives in the New Europe. He combines thinking about the commercial prospects opened up by the single market post-1991 with the need to foster and assist the development of consumer co-operation in Eastern Europe post-Communism. Malcolm Sargent of the University of Bath writes imaginatively and constructively on Agricultural Marketing Co-operatives and 1991, his theme being that "joint ventures" between co-operatives in different countries offer bright prospects for trade development in produce marketing. The French Chairman of the ICA International Committee of Industrial, Artisanal and Service Producers' Co-operatives (CICOPA), concerned with workers' and industrial co-operatives, writes under the challenging title of Eastern Europe and the USSR: Co-operative dawn or Twilight? and concludes that, immense as the problems are, industrial co-operatives offer an optimistic and practical alternative to the state enterprise system. He reports on a recent visit to the far north Soviet Republic of Komi where the newly established authorities have hopes of creating a "co-operative republic". Other articles in this section comment on developments in Hungary and Yugoslavia, and on the impact of EEC policies on east/west commerce and trade.

The political developments in Europe are also reflected in the section on Trends in Co-operative Legislation. Professor Münkner of the University of Marburg opens the speculation on a European Law for a Europe-wide Co-operative Society - a fascinating concept. Professor Kowalak of the Warsaw Institute of Social Policy and Adviser on Co-operation to the Polish Senate discusses the legislative problems confronted in seeking to convert from a socialist to a free market. Other contributions on law concerning co-operative development come from the UK, Australia, Japan, and Turkey.

The section on co-operatives in developing countries includes thoughtful contributions on development policies from the Director of the International Co-operative Alliance and the Honorary Director-General of the International Federation of Agricultural Producers. There is a lively and stimulating contribution from the General Manager of the Central Association of Co-operative Unions of Zimbabwe, and also articles from the Philippines and Sri Lanka.

Finally, the annual review of co-operative development in the UK reports on progress and problems in the consumer, agricultural, fishing, industrial, and credit union sectors of the domestic movement. These contributions from people directly engaged in

co-operative business administration provide a valuable and up-to-date overview of the contemporary scene.

This summary of the contents of the 1991 Yearbook provides adequate evidence of its importance as an authoritative and wide-ranging commentary on what is happening in the co-operative world. Its articles as a whole are marked by their originality and freshness of approach, and by the obvious expertise of their authors. My pleasure in learning of the great variety of co-operative experiences throughout the world is tempered by real pride that the Co-operative Idea is capable of such a diversity of approaches in so many countries, honed to fit the circumstances facing so many eager co-operators. For the British co-operator it is both refreshing and exciting to appreciate that after 150 years of "Rochdale Co-operation" there are many years ahead capable of providing us with new applications of the Co-operative Idea.

The Yearbook provides a most useful service of communication, information and discussion on co-operative affairs at the international level. It deserves wide distribution and interest in both managerial and academic circles. Certainly, no library claiming to offer material on any form of co-operative or other mutual-action activities should be without it.

Ted Graham

The History of CARE - A Personal Account

By Wallace J. Campbell

Published in 1990 by: Praeger Publishers, New York, 240 pages. May be ordered from ICA Headquarters, Geneva, price CHF30.00.

"CARE package" has become a term used so routinely in the United States that it appears in dictionaries of the American language. One dictionary defines CARE package as "a package containing food, clothing or other items sent as necessities to the needy"; or as "a gift of treats to relatives or friends, especially of items not readily available to them". The definition concludes with the explanation that the term is "from the aid packages distributed by CARE".

CARE, the organization that has become a part of the every-day language of a nation, is a co-operative. And it is the subject of a new book written by one of the world's preeminent co-operative authorities.

Co-operatives played a major role in starting CARE, which was organised as a co-operative soon after the end of World War II to provide emergency food aid to people in war-torn nations. Wallace Campbell, who was one of CARE's founders, explains in his absorbing book that the organization sprang in large part from the impulse of U.S. co-operatives to help their European co-operative counterparts rebuild after the war. U.S. co-operatives put together a "Freedom Fund" of £100,000 - not an inconsiderable sum in those days - for that and re-

lated purposes. The fund was used in various ways. For example, it provided tyres for the trucks of Austrian co-operatives, which had lost their tyres to the retreating Nazi army. But probably the Freedom Fund's most significant and enduring contribution was to finance some of the early work to get CARE started.

CARE's founders believed strongly in using all kinds of private and voluntary organizations, not just co-operatives, to help people. To broaden the base for their idea, they took it to the American Council of Voluntary Agencies for Foreign Service. Working with the council, they put together the aid and development organization that, arguably, has been the world's most important non-governmental, non-religious international aid and development institution during the post-World War II era.

What was begun as a means to get emergency food rations to a post-war Europe confronting famine soon expanded. Blankets, simple hand tools, and eventually a host of other items were added to food in CARE packages or other types of deliveries. And as the food crisis subsided in most of Europe, CARE took on efforts to help in other places - notably where disaster had resulted in famine and where

Third World countries were in need both of emergency relief and long-term development help.

Two lists in "The History of CARE" help make that point. One is a list of the 18 recipient countries (17 in Europe plus Cypress) in 1947, just two years after World War II. Europe's four largest countries (Germany, France, England and Italy) are on that list; so are five countries that were to become part of the Eastern Bloc; so are two Scandinavian nations.

The other list is of the 37 recipient countries in 1989. None is European. There are 17 from Africa, 11 from Latin America, and 10 from Asia. They include some very small countries (Comoros, for example), and some very large nations (the People's Republic of China and India).

When CARE began, it was an all American effort. CARE is an acronym for Co-operatives for American Relief Everywhere. However, by the 1960s, some of the European countries that had been recipients of CARE packages early after World War II, were considering starting CARE organizations of their own to become donors to the programme. By the time Wally Campbell's book was published, there were 11 national CARE organizations in Germany, Canada, Norway, France, Italy, Britain, Austria, Australia, Denmark and Japan, as well as the United States.

CARE International, which began as a federation of independent private

national organizations, is headquartered in Europe and works to co-ordinate in various ways the programmes of the 11 national CAREs.

Another change has occurred over the years: what began as a purely private effort now includes a substantial share of development projects funded by governments or international agencies and carried out by CARE.

Still, the interest and contributions by individuals continues to be very strong. Author Campbell points out, for example, that individual contributions to CARE USA have amounted to millions of dollars each year for many years. That has been and continues to be one of CARE's great strengths. Those individual contributors probably make up the largest and most widespread constituency contributing directly to international and development work. That constituency focused only on international aid and development is unique, for aid and development is a field that has come to be dominated by governments - the governments of the developed countries that provide funds and the governments of the Third World or disaster-touched countries that receive funds.

The History of CARE not only deals with a history that is significant, it also tells a story that is often exciting. Perhaps it would be more accurate to say that it tells many stories that are exciting, for Wally Campbell tells and illustrates his story through countless human anecdotes. The pages are laced with lively personal remembrances of

some of the important and dramatic people and events of the past half-century.

Wally Campbell was present at the genesis of the United Nations, representing co-operatives in the United States and the ICA. He has headed a United States' housing co-operative apex organization and is still recognised as an authority on co-operative housing. He represented the ICA at the United Nations for years. He is a member of the Co-operative Hall of

Fame in the United States. At age 80, he continues to be a positive, creative and humane influence on events and activities in Washington, D.C., especially co-operative events and activities.

One of the genuine satisfactions of The History of CARE, a Personal Account, is getting to know its author, one of the first of what we can only hope will become a growing tribe of international co-operators.

Bob Beasley

Co-operative Democracy and Economic Efficiency

by Jacques Defourny
Published by Belgian University Edition

"Co-operative Democracy and Economic Efficiency" is an innovative study concerning French producers' co-operatives from 1970 to 1980, based on objective and comparable economic criteria.

The author, Jacques Defourny, is an economist specialising in the analysis of worker co-operatives and self-managed firms. The book is a short version of his thesis (Liège University 1987) which contained a lengthy economic study on French SCOP* techni-

cal efficiency, comparing a financial analysis of these co-operatives with classical firms of the same size.

The relativity of his method of analysis, specially the choice of period and statistical tools, is congruent to the scientific spirit of his work. The conclusions must interest all production co-operators, especially those in France. This study is unique in its kind.

The book is divided into two parts. The first presents the basis of com-

*SCOP = *Société coopérative de producteurs*

pared analysis itself (what we can call "economic efficiency"), ratios and criteria from the Secretariat of the SCOP Confederation and the French INSEE*

The second part is an annotated presentation of a ratio synopsis, comparing French SCOPs with other enterprises - by professional sector and size: employment, productivity, remuneration, financial balances, profitability, etc.

Several major points emerge from the vast quantities of material contained in this work:

The economic performance of middle-sized co-operatives appears equal or superior to those of their capitalist competitors - performance is judged from the profitability, productivity or wages angle (p. 194 para 4). The profits which are ploughed back into the enterprise are tenfold more important in co-operatives as a good percentage of the surplus remains frozen in the "participation reserve" or is incorporated into the capital.

On the other hand, because they begin with limited capital, the small SCOPs are generally less productive than their competitors.

These results appear to originate from the producers' motivation. There are

many positive and significant correlations between workers' participation in the enterprise and the technical efficiency of SCOP (p. 197, para 4) as opposed to some negative results or "democratic excesses" brought about by allowing everyone to decide on everything, a case of "too many cooks spoiling the broth". These democratic excesses are more frequently found in small co-operatives than in those where participation is more structured.

Another point which is stressed in this book is that the SCOPs benefit from better financing conditions, particularly the encouragement to self-financing (SCOP having been able to take advantage of legal dispositions conserving an important part of the profit inside the firm). They have also experimented with risk sharing with external partners, without losing their internal autonomy.

Another pertinent explanation of the positive results enjoyed by the SCOPs is that these enterprises have their own legal status and consequently a constant common denominator which assures their specificity. Also, because of their federative structure, they are capable of offering a number of support services to affiliated co-operatives which would otherwise be dangerously isolated.

Yves Régis

* INSEE = Institut national de la statistique et des études économiques

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New Acquisitions in the ICA Library

ACI Oficina Regional para Centro America y el Caribe

Conferencia Internacional de Solidaridad con el Movimiento Cooperativo Salvadoreño, Memoria; San José, 1990; 136pp.

ACI Oficina Regional para Centro America y el Caribe, Organización de las Naciones Unidas para el Desarrollo Industrial

Estrategia para el Desarrollo Cooperativo Industrial en America Latina; San Jose, 1990; 162pp .

Asociacion de Expertos Cooperativos

El Credito. Octavas Jornadas Cooperativas, 1990; Monografias Cooperativas, N°8-October de 1990; Lleida, 1990, 303pp.

HERNANDEZ, S. - Macrocooperativas y Cooperativismo Sanitario; Fundacion Espriu, Gabinete de Estudios y Promocion de Cooperativismo Sanitario; Barcelona 1990; 241pp.

ICA Regional Office for Asia and the Pacific

Co-operative Ministers Conference, Sydney, Australia, 8-11 February 1990; New Delhi, 1990; 383pp.

Development of the Consumer Co-operative Movement in Bangladesh. Workshop Report; New Delhi 1989; 91pp.

Development of the Consumer Co-operative Movement in Sri Lanka. Workshop Report, 1990; New Delhi, 1990; 103pp.

Methodology for Co-operative Member Participation, Regional Seminar, Report; New Delhi, 1990; 119pp.

Present Situation, Problems & Future Tasks of Agricultural Co-operatives. Study Reports from Bangladesh, India, Malaysia, Philippines & Sri Lanka; New Delhi, 1990; 296pp.

ICA Regional Office for East, Central and Southern Africa
Modern Personnel Policies. A model for Co-operative Organisations; Moshi, 1990; 87pp + 34pp, index.

ICA Working Party on Co-operative Research, Planning and Development, ICA Regional Office

Co-operative Values and Relations between Co-operatives and the State. Working Papers of a Seminar in New Delhi October 3-6, 1989; New Delhi, 1990; 262pp.

LAURINKARI, J. Prof.Dr. - Genossenschaftswesen. Hand-und Lehrbuch, Oldenburg, München, Wien, 1990; 808pp, index, tabs, graphs.

LYNCH, M. - ESOPs ECOPs and Employee Ownership, A Guide for Trade Unionists; TGWU Handbook, 1990; 120pp.

PRAKASH, D. - A Place to Live. Roles Co-operatives Can Play in Protecting the Environment, ICA ROAP, New Delhi, 1990, 22pp.

RIUS, R. - Conversaciones con Josep Espriu; Fundacion Espriu, Gabinete de Estudios y Promocion del Cooperativismo Sanitario, Barcelona, 1990; 179pp.

SEUSTER, H. Prof.Dr.; GERHARD, S. Dr. - Strukturfragen der deutschen Genossenschaften. Teil III; Fritz Knapp Verlag, Frankfurt am Main, 1990; 194pp, index.

Swedish Co-operative Institute

The Welfare State and the Role of Co-operatives in an Aging Society - comparison between Japan, Sweden, and the USA. Documentation from an International Symposium in Yokohama 1989; Documentation Reports Debate, N°5/1990; Stockholm, 1990; 80pp.

United Nations Centre for Human Settlements (Habitat)

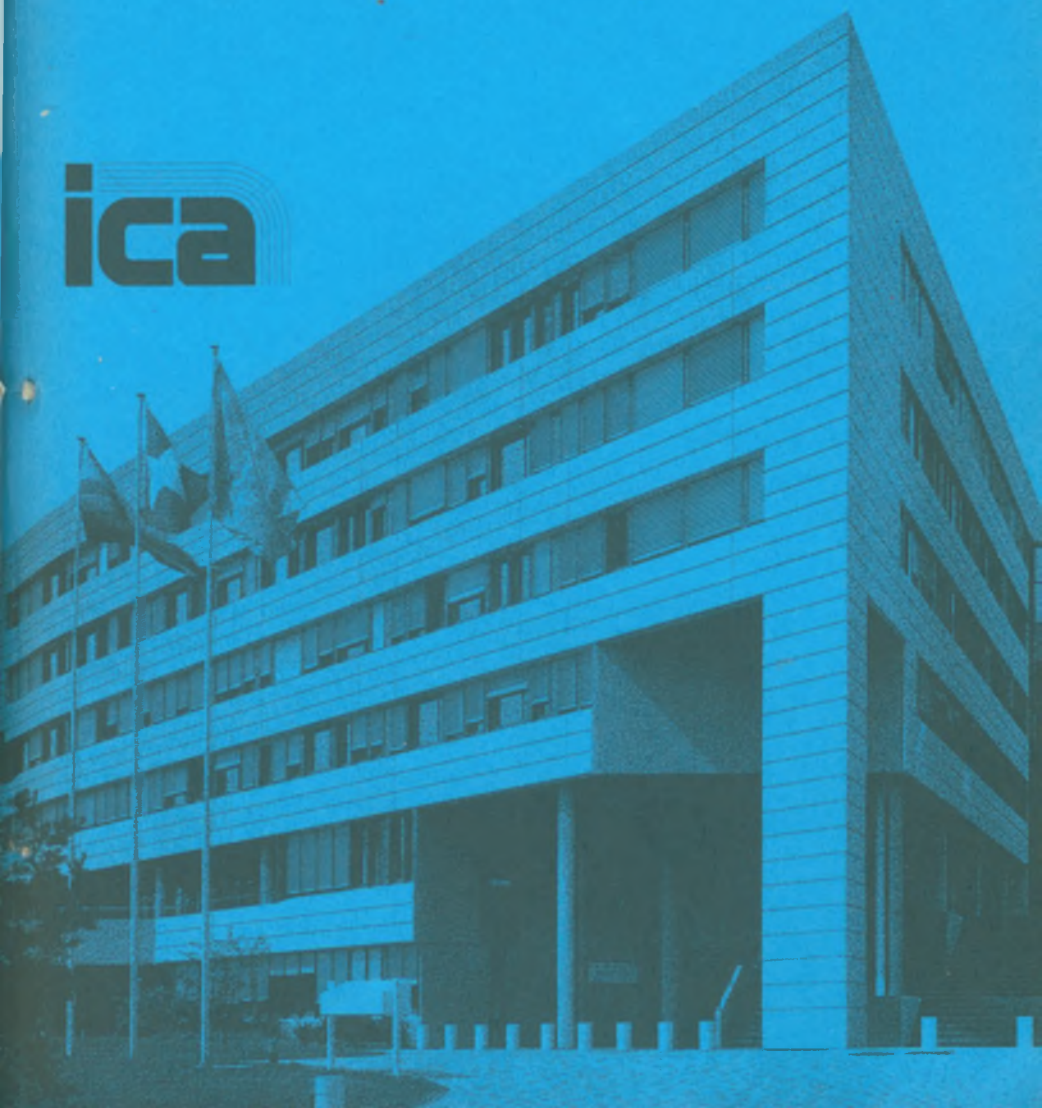
Co-operative Housing : Experiences of Mutual Self-Help; Nairobi, 1989; 163pp.

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Volume 84 No 2 1991



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This publication has been entirely realized at ICA head office using desk-top publishing.

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location of the ICA Secretariat*

Review of International Co-operation

Vol. 84 No. 2/1991

Editor: Mary Treacy

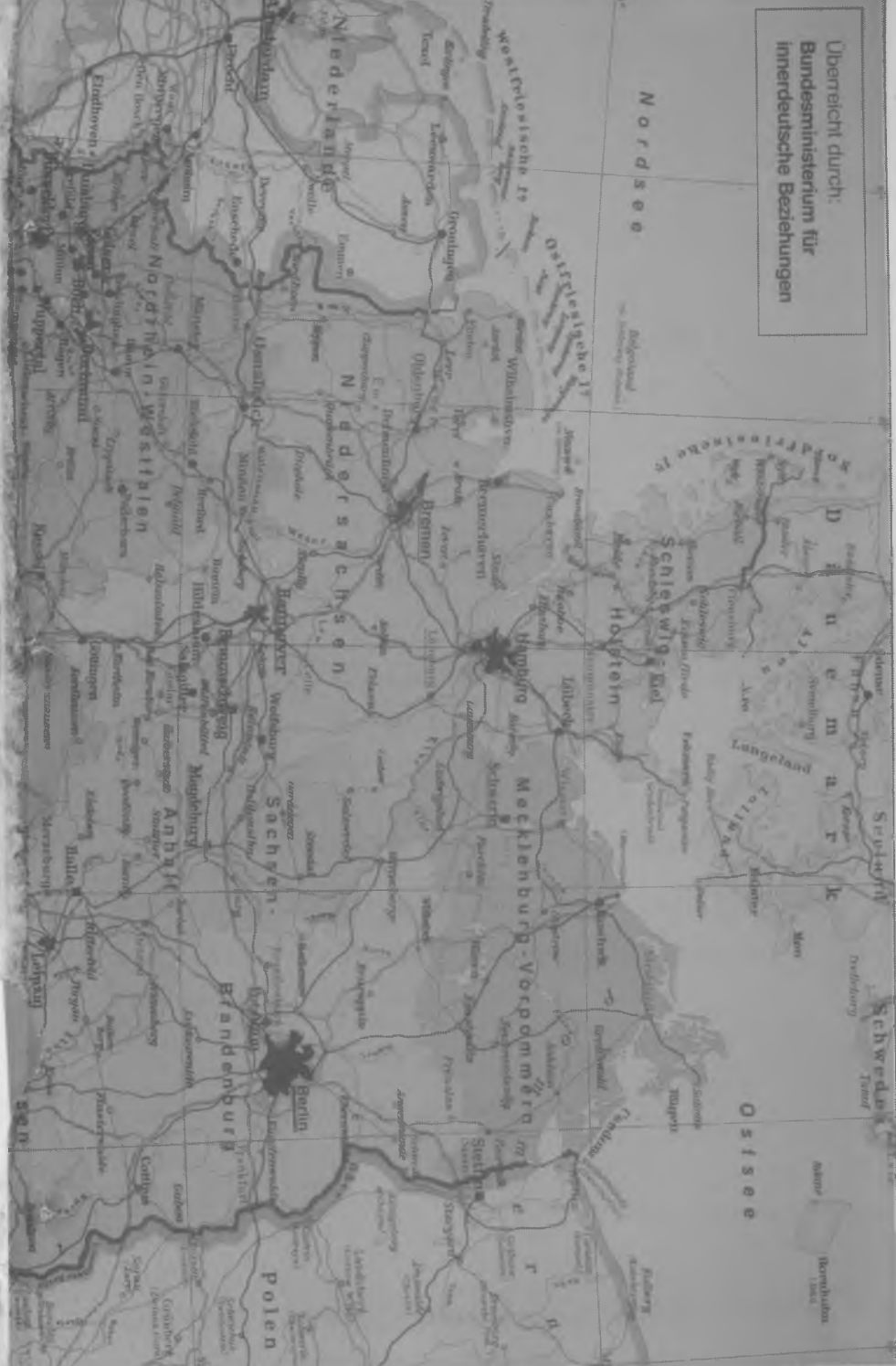
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Übereicht durch:
Bundesministerium für
Innendeutsche Beziehungen



Editorial

When ICA was invited to hold its 1991 Central Committee meeting in Berlin by Verband der Konsumgenossenschaften (VdK), its member organization in the former German Democratic Republic, no-one could have foreseen the events which have swept the Eastern and Central area of Europe and changed this part of the world irreversibly.



In consequence issue no. 2/1991 is now dedicated to Co-operation with the Federal Republic of Germany, but naturally features co-ops within the new "Bundesländer".

When, in February of this year, I visited co-operative organizations in FRG to solicit authors for this issue, nobody seemed too sure that they could give me a reasonable story as events were constantly changing and the co-operative movement, along with the rest of the economy, was in a state of upheaval.

This issue of the Review was quite a challenge, in fact most of the articles arrived in Geneva only a few weeks before the printing deadline. Indeed, the few articles prepared in advance had to be discarded or updated at the last moment to reflect the current situation. This review is, therefore, very up to date and gives our readers as accurate a picture as possible.

Thanks to the collaboration of Der Verbraucher, which has published a German issue of its magazine dedicated to the Central Committee to coincide with this issue, and to VdK, which worked hard to get the information to us in the shortest possible time, this ICA Review contains many interesting articles on the movement in the Unified Germany.

In addition, the series on ICA Regional Office projects contains an article on Human Resource Development in East, Central and Southern Africa. This ties in well with the theme of the ICA Development Forum in Berlin which will be dedicated to Co-operatives in Africa.

Many of the articles for this review were excellently translated by Intertext, Berlin who will be taking care of the simultaneous interpretation at the Central Committee in October.

Recent events in the Soviet Union give us great cause for concern and the situation in this country is still unclear at the time of writing this editorial. The ICA is very concerned about its members in the USSR and hopes that the recent gains in democratization and human rights will not be jeopardized.

Mary Treacy
Editor

Message from Mayor Eberhard Diepgen of Berlin

The "co-operative" is a form of organization with a long tradition in Germany. The co-operative spirit has survived all vicissitudes of history - not just in commercial terms. The idea has retained its appeal even though other, ostensibly more advanced, forms of organization have spread in the retail trade.

It is hardly surprising today that co-operatives even witnessed a revival some years ago. Consumer information and protection, and the ecologically sensitive distribution of foodstuffs and other everyday essentials are more important than ever.

As it is, different forms of organization have evolved in the eastern and western parts of our country. It is therefore a most welcome development that the Union of Consumer Co-operatives is attempting to reconcile both co-operative ideals and the assets on which it can draw in the new federal states with the requirements of the times.

The organizational forms of trading and the information needs of customers are subject to constant fluctuations. At a time of profound and rapid changes, Berlin is surely the right place to find



out what co-operatives can and should accomplish today. I hope that all those attending the meeting of the ICA Central Committee will have stimulating encounters with our city and see their deliberations crowned with success so that the citizens in the new federal states will soon enjoy the full spectrum of information and the range of choices that only a market economy can offer.

Looking Back to Our Origins

Interview with ICA President Lars Marcus

Lars Marcus has been President of the International Co-operative Alliance for the past seven years. They are years which have seen momentous economic and political changes around the world, culminating in the failure of the Eastern European planned economies. This provides an occasion for co-operatives to consider what contribution they can make apart from maintaining their share of the market. The 30th ICA Congress in Tokyo will be seeking to provide an answer. On the way to the Congress the leading bodies of the international co-operative movement are to meet in Berlin from 12 to 20 October 1991. ICA President, Lars Marcus, was interviewed in this connection.

Mr. Marcus, with member organizations in over 70 countries, the ICA ranks among the largest associations in the world. What are your main activities?

The ICA unites co-operatives from all continents, including many countries where they stand alone. Hence the need for conditions allowing constant contact between them. This is amplified by the fact that co-operatives represent such a distinctive type of venture. We have committees and specialized organizations in the various regions and areas where they are active, e.g. agriculture, fishing, insurance, banking, consumers, manufacturing, tourism



and housing. The second thing that we must ensure is that the principles and basic values of co-operatives are not sacrificed to short-term interests for a quick profit. It is a major responsibility of the ICA to see that co-operatives do not lose the link with their origins, their members and the comprehensive assistance they provide for them.

The ICA is also helping with the establishment of new co-operatives in the Third World as a means of helping people there to help themselves with a view to playing a part in solving the grave problems in these regions.

And, furthermore, we use the avenues open to us as co-operatives to support the interests of our members in the UN and vis-à-vis national governments.

Co-operatives can look back on 150 years of tradition and their principles are just as old. Is there any similarity between co-operatives today and the original ones?

Certainly, the origins of co-operatives do go back a long way, namely to the ideas of those who formed the first co-operative in Rochdale. But they are basically very simple and so they fit in with the present day as well. You can't do everything yourself, but you need help and support to attain your goals. This is true for all areas of society. Co-operatives can be very effective in helping people to help themselves. They are democratic: one member, one vote. And they are not, in the first instance, designed to accumulate capital. But we must be careful to ensure that these values are not lost or forgotten. That's why I hope the next ICA Congress will include them in our constitution.

Hunger, environmental destruction and the lack of the most elementary conditions of life plague the people of the Third World in particular. What can co-operatives do to help solve these problems?

I have often wondered whether some development aid programmes for such regions have not perhaps done more harm than good. They did not help people to help themselves. In terms of their profile, co-operatives are the ideal organization to help solve problems. However, the idea is not enough, it

needs to be backed up with action and competence. I'm not just thinking of the larger consumer co-operatives here, like KONSUM for instance. Co-operatives are quite feasible in other areas like health care or education. They could be an enormous help to people in Asia, Africa and Latin America since their main purpose is not to make money but to solve problems.

How would you describe in brief the development of co-operatives in the various parts of the world?

It's a very varied picture. Rapid headway is being made in Asia. Progress in Japan has attracted major attention. Things are more problematic in countries where the state interferes on a massive scale in the affairs of the co-operatives. In China, for example, there are 130 million members, which is a force to be reckoned with. The nature of the co-operatives there is not in dispute despite the planned economy.

In North America there has traditionally been a strong co-operative movement, but not in every area. Consumer co-operatives are almost non-existent there. They came on the scene rather late in the day and were not able to establish a foothold. On the other hand, there are a large number of co-operatives in farming, banking and insurance. In Latin America the co-operative movement is still in its infancy. But it is developing fast, partly thanks to the fall of the military dictatorships in the region. At the same time, we also see attacks on co-operatives which are accused of providing a cover for left-wing revolutionaries. But these attacks

are without foundation. Co-operatives are indisputably part of the private economy. Any state can control their scope for manoeuvre through legislation.

There have been co-operatives in South America for over 100 years now. They are particularly strong in Uruguay and Argentina, most of all in agriculture. In this area people have found it a plausible proposition for many years to improve their performance by working together.

The situation is most difficult of all in Africa. Experience with co-operatives there may be, but no other part of the world is afflicted by the same degree of poverty and political instability. We have supported projects for farming co-operatives in Somalia and Ethiopia. But you know yourself what the political situation is like today. On top of that, there are too few people with the right education and personal knowledge to build up co-operatives. It has to be realized that part of the aid granted by industrialized nations ignores the specific conditions in Africa. What is the point of having large farm machinery if there is no one to repair it the first time something goes wrong? Co-operatives will have to develop in accordance with the actual conditions in Africa - this is the only road to success in the long run.

Finally, there are large and successful co-operatives in Western Europe. But even they are not invulnerable, as developments in France and, to a certain extent, in Germany have shown. Consumer co-operatives have been hit

particularly hard. Certainly, there are different reasons for this. But one of them might be that the commitment of the co-operatives to their members has waned, and this despite success on that front in the past. Without doubt, another problem is that competitors are increasingly becoming active on an international scale, whereas co-operatives are limited to the national context. This means that the ICA will quickly have to develop new structures which both allow for closer co-operation between co-operatives and ensure that their links with their members are not severed. Because they will have to be one of the co-operatives' strengths in the future.

One region undergoing transformation at the moment is Eastern Europe. Does this imply new opportunities for the co-operatives in these countries?

I've been visiting the former COMECON countries regularly since 1984 to get to know the situation facing the co-operatives there and try to understand the context in which they work. They were firmly integrated into the planned economy but democratically legitimate co-operatives nonetheless. That's why they joined the ICA, although the process was not without its problems. Apart from that, they can look back on a tradition which extends into the 19th century. Now that the economic reform process has got underway, the co-operatives are progressing by leaps and bounds, particularly in Poland, Hungary and Czechoslovakia. Less so in Romania. The situation in the Soviet Union is difficult because, while Centrosoyuz is a central institution, the

republics are looking for autonomy. On top of that, many co-operatives have emerged there of late which really do not deserve the name - they have the sole purpose of making a profit. On the whole, it can be said that the East European co-operatives have a good chance if they manage to free themselves of the mechanisms imposed by a planned economy. They also need leading bodies with competence in the field of a market economy. And, last but not least, no country really wanting to build pluralistic structures can do without co-operatives.

The collapse of COMECON has brought with it a loosening of the contacts between the East European co-operatives themselves. Is there anything ICA can do to fill this vacuum?

Co-operation between co-operatives is not the exclusive affair of the ICA, but a matter for consideration by the co-operatives themselves. But in the light of the new situation we have already organized two successful meetings between the co-operative associations in these countries. They are also facing similar problems - legislation on co-operatives, the clarification of ownership and property issues, and new membership strategies. The ICA is encouraging West European co-operatives to offer their assistance. There are concrete examples already. This is very important as far as developments in Europe are concerned. That is why we are seeking to open a European regional bureau here to achieve better coordination and help each other more effectively.

Do the developments in Eastern Europe support the statement that there is a renaissance of the co-operative movement in Europe generally?

That is a difficult question which I can't answer at the moment. A great deal will depend on how the co-operatives manage to win people's confidence and to keep it. In the final analysis their strength is derived from their members. The co-operatives in Eastern Europe have taken on no easy task. On the one hand, there are old prejudices to be overcome and, on the other hand, they still have to develop incentives for their members. And that goes beyond the immediate business of a co-operative. At the end of the day, the answer will be determined by public acceptance of the co-operatives.

In 1988, at the co-operative conference in Dresden, which was still the GDR at the time, you told the consumer co-operatives that they would need to be the best if they were to survive. Do you stick by that statement?

Absolutely, even if it sounds very simplistic. I must add that there are no certainties in the market. Competition necessitates not only being the best, but you can't afford to stand still in your development for a single minute. On top of that, many West German firms in the market have a name and competence behind them, which East German consumer co-operatives have yet to prove.

What chance do you see for consumer co-operatives in the now united Germany?

I think they have a sound future ahead of them, even if there are still problems with falling turnover and adaptation to the market. Here, too, it's going to be important not to lose links with the members. Otherwise what would be left is an ordinary company without the specific possibilities of a co-operative. But that is not just a German problem; it is one that affects almost all the big co-operatives.

Taking into consideration the former East German co-operatives' long-standing connections with Eastern Europe, do you expect them to make a special contribution to helping this region?

Certainly, because they are in the best position to help us understand the conditions and changes there.

Basic co-operative values are going to be a major theme at the meeting of the ICA Central Committee in Berlin. What are the other items on the agenda?

We are currently working on a paper setting out fundamental co-operative principles. But it won't be ready for Berlin, and so we'll only be able to report on the state of progress. As I already intimated, we shall also be looking at structural issues. Representatives of the European Community,

the World Bank and the International Labour Organisation will be talking about developments in Eastern Europe. And our development forum will be given over to the situation in Africa.

ICA specialized organizations and working parties will be meeting in Berlin at the same time, making a total of 63 meetings and workshops.

What impetus do you expect the Berlin conference to provide, Mr. Marcus?

I expect initial decisions to be made on the work of the ICA in the next few years. With this in mind, we have worked out proposals for a new constitution so that the ICA can gear its work more closely to individual continents instead of remaining a global organization. The same applies to the different branches of co-operatives. The ICA regards itself as the catalyst of co-operative development in the world. It would be only logical, therefore, if it were to provide impetus in terms of more money, e.g. to finance training programmes in co-operatives. We shall be turning for assistance in this not only to co-operatives themselves, but also to governments and other powerful partners.

A Chance for KONSUM

Interview with Frank Dahrendorf, CEO of VdK

For the past six months Frank Dahrendorf has been spokesman for the board of VdK eG, the East German Union of Consumer Co-operatives. Among other things, he has been using this time to discuss pressing challenges facing the consumer co-operatives in the former GDR. A correspondent from "Der Verbraucher" asked him about his impressions and the prospects for the consumer co-operatives (KONSUM).

Mr Dahrendorf, you have seen a large number of consumer co-operatives in the past six months. Did your impressions match the expectations you had when you started out in your new post?

The only expectation I had when I came to Berlin was that I would find an association of consumer co-operatives undergoing transformation, experiencing changes and at the same time facing enormous opportunities. What I saw confirmed my feelings, but with 55 consumer co-operatives you can't generalize. As well as co-operatives facing lots of problems but coping with most, I found others which haven't yet got to that stage. The major problem is the high cost of labour. Be that as it may, I'm convinced that the consumer co-operatives in Eastern Germany are on the right track. The solutions which have been mapped out as far as wholesaling, the structure of retail outlets and expansion appear to be realistic and promising.



Based on what you know about KONSUM, the strengths and weaknesses and the market prospects for 1991, where would you say it should be going?

As far as the market prospects are concerned, you have to differentiate between 1991 and the years to come. On the whole the consumer co-operatives in Eastern Germany started out in a better position than all their competitors, who come from the West. They have a large number of members and shops already there and an awareness of conditions in the region. If they make good use of all this, the consumer co-operatives will more than hold their own in retailing. I'm talking of 1992 and beyond, because 1991 is a year of transition, with not all com-

petitors having established a presence yet. If the consumer cooperatives really manage to secure a share of 10 percent or more in the retail market, they will be in a brilliant position. You can't base your calculations on 1991. Retailing is in its early days with different firms carving out their share of the market. Current shares and how we react to them will influence how KONSUM will fare in the market economy.

Where do you see KONSUM's strengths and what will it be concentrating on?

First and foremost the consumer cooperatives will be selling food. And they won't be concentrating on the discount market - though that will be there as well - but on offering customers quality goods, including plenty of fresh food at prices they are willing to pay, in pleasant surroundings, in shops where customers feel comfortable.

KONSUM has traditionally had a large number of small shops and supermarkets. What are the plans for the future?

You not only have to consider the past but also the conditions today. In West Germany it's an almost undisputed philosophy that there are fewer shops in rural districts and small places and a growing concentration on supermarkets and self-service outlets. I don't think we have to adopt this model, at least not in the foreseeable future. In any case, I wonder whether West German firms have been sensitive enough to the concerns and interests of their customers. I believe that the consumer co-operatives on the right track are those which are thinking very careful-

ly about how to make an outlet of 80 to 100 square metres - a small one by West German standards - into a local shop. It hardly needs saying that this requires a particular range of goods, because what we are talking about is the corner shop where people buy their everyday requirements. It's not meant for any other purpose. There are working examples already, with their own wholesaling organization, their own ranges and their own prices which are bound to be a bit above those of the supermarket. Customers will understand and accept slightly higher prices, provided they actually get what they want to buy.

Apart from that, of course, we have to consider that the large supermarkets at the upper end of the market have a range of goods and a standard of fittings that make people want to shop there. As for our network of retail outlets, we have to be careful not to refer to 4.5 million members on the one hand and neglect to cater for those who live in places without any shops on the other. There is obvious potential here for small shops, run on commission and open for just a few hours, as well as mobile shops.

On the subject of members, one of the main reasons for their association with KONSUM was that they were reimbursed a proportion of what they spent. Many of the consumer co-operatives will no longer be in a position to pay a dividend. Are there any ideas for a substitute?

There are considerations in the pipeline, but they haven't yet matured. At the same time we have to be clear about one thing. The dividend was one

of the most important factors tying the members to their co-operative, but we won't be able to pay any if no profits are made. And 1991 is going to be a difficult year as far as profits are concerned. On top of that, we're changing some of our shops, like department stores and those at the discount end of the market, so that it will no longer be possible for customers to receive a dividend on purchases made in these outlets. The same is true of items bought in shops run by other co-operatives. However, in order to involve our members in the expected profits, we intend to start paying dividends on the actual shares. By way of an incentive, we shall be offering members a chance to increase their stake - up to DM 1,000, - with a dividend in excess of 10 per cent.

Another possibility would be to issue members' cards along the lines of credit cards. On producing this card, members would be able to obtain discounts from other firms, such as travel agencies and insurance companies. We are also planning a newspaper to strengthen the ties between KONSUM and its members. We are currently putting all these things together in a package which will be presented to the consumer co-operatives at the end of the second quarter.

What is likely to be the relationship between food and non-food business?

This will vary greatly from one region to another because each consumer co-operative will have to hold its own in the context of its surroundings. I am quite certain that we will see a very different picture emerging for Berlin

than for smaller towns. But competition in the non-food sector is going to be particularly tough in conurbations, of course. The signs are that KONSUM is going to be faced with major difficulties in certain areas.

As far as I'm concerned, clothing is right at the top of the list. Despite the fact that many KONSUM clothes shops are doing well, I think it is going to be almost impossible to start something new in this area. I'm also skeptical as far as consumer electronics are concerned. It won't be long before things here follow the same path as in West Germany, i.e. a few large chains will build up their network of specialist shops. And anyone interested in buying a new TV set is also prepared to travel 50 kilometres to get it. The consumer co-operatives around Berlin are feeling this already. When you also consider that the trade margins in consumer electronics are low, this is clearly not going to be the classical area of trade for KONSUM. That doesn't exclude the consumer co-operatives in conurbations opening their own specialist shops with a promise of success. There is another area where I am less than optimistic, and that is furniture. Here, too, we are going to see the domination of specialist shops which will cater for the bulk of demand by virtue of their size, range and prices. In places where firms with a name set up business, KONSUM can spare itself the effort of considering such an option.

So far most of the franchise proposals in the non-food sector have come from KONSUM-Interbuy. Does this mean that you are opting for them?

VdK has a 50 percent stake in Konsum-Interbuy. Over and above this, KONSUM-Interbuy has made an offer to the regional consumer co-ops to set up a chain of shops with 50 percent participation from the regional consumer co-ops. We have not received any similar offer from other wholesalers. And since capital for modernization and expansion is the main problem we are facing, their offer is the option I prefer.

Let's stay with the subject of capital. Given its present ratio between turnover and costs, can KONSUM really expect to raise the capital required?

Yes, definitely. Not in 1991, that's for sure, but then who is going to manage it in 1991? Right from the outset the problem was that no West German banks could imagine a situation where buildings belonged to someone other than the owner of the land where they stand. The result was that the banks were not willing to enter into mortgage agreements on buildings alone. Since then, however, they have seen for themselves that buildings can by all means constitute separate property with a separate value, which makes granting loans a viable prospect.

If we talk about land, we're almost bound to end up referring to the Treuhand Anstalt (Trust Company), aren't we?

I have no cause to complain about the Treuhand. Plenty of things are not progressing as quickly as we might have wished. But I now know that it's not the Treuhand we have to blame. Firstly, there were all sorts of facts to be put on the table - who is registered as the owner of the land, who used it and

who has laid claim to it. That made for an incredible amount of work for the consumer co-operatives. But to come back to your previous question, I think that we shall have taken the first major step towards securing bank loans when the consumer cooperatives present their DM opening balances in the near future. This will enable us to discuss modernization with the banks, shop by shop. The fact that our costs don't look too healthy at the moment is inevitable. The departure from de facto monopolistic structures and the appearance of competitors is bound to bring a sharp decline in turnover but it doesn't lead to a sharp cut in costs, particularly staff costs. Some of the consumer co-operatives still have a long way to go to reduce their staff costs to under 10 percent, as they must. The same applies to rental and energy costs which are currently rising considerably. In addition, the sales margins we negotiated in the summer of 1990, under the pressure of having to offer a full range of goods, fall short of what is possible. We will have to renegotiate, as we are already doing in many cases.

But economic viability also has something to do with the right size of firm, doesn't it?

I see two possible extremes. You can have very small consumer co-operatives, restricted to one place, for example, or very large ones. Anything in the mid range is a difficult proposition. Once you have become a limited company through the need to compete, you are in for problems. A turnover below DM 1,000 million is hardly enough for survival in the long run.

One of the consequences of the restructuring programme in progress at KONSUM is a considerable reduction in the work-force. Your partner in these issues is the Union of Shop, Bank and Insurance Workers (HBV). Aren't staff reductions something of a sore point in your relations?

No, our relations with HBV are no more than they can be between an employer and a large employees' organization, but they are co-operative and positive. It is a trade union's job always to ask for more than an employer can give. And then it's a matter of how you negotiate. The first thing I would say is that HBV are clear that KONSUM needs to be given a healthy structure as a matter of priority. A consumer co-operative which is not in a healthy state can't save any jobs in the long run. The trade union itself expects us to come up with a rescue programme. And, among other things, that means a proper correlation between turnover and staff costs. It goes without saying, of course, that those affected must join us in trying to find ways that are socially acceptable.

KONSUM not only used to sell things but to manufacture them. After a few difficult months, are there now signs of a trend in the right direction, even if not across the board?

Consumer co-operatives with their own fresh food production are increasingly looking to this source for their supplies, mostly as the main source in the case of meat and sausage products. Customer demand for bread and cakes means that we have to offer these products as well. We are in the black again as far as these areas are con-

cerned. In some places we have been slow on the uptake and allowed other local bakeries to get a lead on us. But we can make up for that.

As far as manufactured goods are concerned, the picture is rather mixed. In some cases things are running quite smoothly, while others give us cause for concern. Here, too, analyses have been drawn up to show what are the next steps we need to take to market excellent existing products successfully. What we are lacking most of all are the right distribution structures. In this area we will have to see how things progress with the partners we are currently co-operating with. On the whole my impression is that the situation is better than we expected in manufactured goods.

The consumer co-operatives in the original Federal Republic and their associations also figure among KONSUM's partners. How will you be developing co-operation with them?

First of all, I should say we have so many problems of our own at the moment that we have neglected top-level contacts and talks nationally and internationally. The consumer co-operatives in West Germany, notably the big ones (Dortmund-Kassel and Schleswig-Holstein) have developed in their own way and arrived at their own structures, and I think everyone involved should accept that developments here don't have to follow the same path. This applies, for example, to the size of consumer co-operatives, which don't have to reach the dimensions of Dortmund-Kassel to be a viable proposition. West German consumer co-

operatives have opted for big shops on the whole. This doesn't bind us to do the same. We ought to discuss and accept each other's corporate strategies. However, it is clear that Dortmund-Kassel and Schleswig-Holstein are our natural partners because they have the same basic principles and ideas.

As far as co-operation between the two associations is concerned, you have to consider that an association of consumer

co-operatives exists in West Germany with established structures, whereas we are a Union with members that are still on the road to achieving this. We shall aim for one association in the long run. This will be easier to achieve when the East German consumer co-operatives have also gained a degree of stability, in other words, when they have well-established structures.

Berlin Union of Consumer Co-operatives

New Challenges Posed by a Market Economy

The Union of Consumer Co-operatives (VdKEG), based in Berlin, is an umbrella organization which promotes and represents the interests of consumer co-operatives in the east of the Federal Republic of Germany, (i.e. the former GDR), both on a national and international scale. It is bound by its constitution to uphold co-operative principles, render services to its members and provide them with advice.

In the new German "Länder", the co-operatives belonging to the Union run an extensive network of commercial businesses both in the food and non-food sector and of manufacturing enterprises producing bread, cakes and pastries or meat products and sausages.

The individual members - well over 4 million - trust that their consumer co-operatives will be able to cope with the new conditions of a market economy that have emerged in the wake of the unification of Germany and the economic and monetary union associated with it. They hope and expect that what is popularly called the KONSUM here will keep its share of the market in spite of fierce competition and continue to promote their interests.

The most important, and indeed most challenging duty presently faced by the Union of Consumer Co-operatives, is to lend a helping hand to the co-operative societies on the stony path

to free enterprise, to rally their forces, help them get a bigger share of the market and effectively represent their interests. In short, its activities are aimed at supporting its members so as to maintain co-operative business.

After their release from a totalitarian planned economy, which virtually occurred overnight, the consumer co-operatives were faced with tough competition on the market. Although their development had largely been determined, and sometimes restricted, by the conditions dictated to them in a planned economy, the same system had secured their existence in a kind of protected space void of any competition.

The advent of the market economy meant that the consumer co-operatives had to continue their work under drastically changed conditions. They were faced with new situations and tasks without being given time to prepare for the things to come, get The advent of the market economy meant that the consumer co-operatives had to continue their work under drastically changed conditions. They were faced with new situations and tasks without being given time to prepare for the things to come, get acquainted with them and gather experience. The same was true for the VdK eG, their umbrella organization of which they justly expected advice and support in these difficult times.

In the process of adaptation to the conditions of a social market economy which the Union of Consumer Co-operatives in the east of Germany is

undergoing, it has developed concepts for its membership which concentrate on the following:

- * a new corporate philosophy and strategy which will help the consumer co-operatives live up to the new challenges;
- * the reorganization of its network of retail outlets, creating competitive forms of business through conversion and modernization of existing shops and establishment of new ones;
- * the efficient organization of integrated schemes meeting the requirements of a market economy in such important fields as merchandise and financial policy;
- * the development of competent consumer co-operatives strong enough to hold their own in the tough competition with the large and tightly-run chain stores and capable of fulfilling the role of a promoter;
- * new concepts to promote membership aimed at maintaining and strengthening material and psychological incentives for its members to remain loyal to their co-op.

Despite changed conditions, the loss of their monopoly and the massive presence of competitors from the west of the Federal Republic of Germany in the East German market, the consumer co-operatives are aiming for a share in that market of at least 10 per cent. In particular they will strengthen their activities in the food sector, establish-

ing customer-friendly, competitive types of retail outlets which offer quality goods including plenty of fresh foods at prices which both members and other consumers are willing to pay.

There are many consumer co-operatives which have realized that they must pool their strength in order to survive in the marketplace and, therefore, consented to merger. With the consent of the elected representatives of the members concerned, the number of consumer co-operatives in the 5 new Länder in the east of Germany was reduced from 198 to 55 by the beginning of May 1991, and further mergers are to follow.

The consumer co-operatives in the east of Germany, where such organizations first saw the light of day over 100 years ago, want to preserve the values upheld by them as well as their form of business as they negotiate the formidable obstacles on the road to a market economy. This is why efforts to enlist the support of their members and win new

ones are absolutely essential as they search for, and embark on, new strategies with the help of their umbrella organization; strategies that take account of the requirements of a market economy and of the growing size of the co-operative business.

Summing up, it may be said that owing to the changes wrought by the transition from a planned economy to a social market economy, the tasks and challenges faced by consumer co-ops in the east of Germany differ from those in the western part. This is why consumer co-ops in the east now need their own union to confront problems and search for solutions which they can implement together.

It is only after the consumer co-operatives in the new "Länder" of Germany have found a niche for themselves and developed competitive structures to defend their position in the market, that the time will come to form an association representing the interests of consumer co-operatives in the united Germany.

Berlin Consumer Co-operative in Search of a New Profile



A modern attractive supermarket in Berlin

The Konsumgenossenschaft Berlin und Umgegend eG, which covers the east of Berlin and its suburbs, can look back on 90 years of history. The greatest change it experienced in this period was doubtless the introduction of a market economy in July 1990. Falls in turnover of 50 percent and competition from the western part of the city have forced it to make adjustments and seek new strategies. The turnover target for 1991, which is regarded as the year of transition, has been set at DM 1,900 million, including DM 700 million from the Bolle chain of which the organization is a partner.

The change could not have been more abrupt: from being a mere supplier to selling goods on an efficient footing. As recently as 1989 the consumer co-operative had a total of 863 retail outlets with an average floor space of 126 square metres. Turnover was around 3,000 million GDR Marks, or about 30 percent of the total in the eastern part of Berlin. But the change which came with the introduction of the D-Mark as sole legal tender was comparable to the difference between night and day. The cooperative was hard hit by competition from chain stores in the western part of Berlin. A major decline in

turnover was inevitable. This notwithstanding, it still managed to sell goods and services with a total value of DM 667.4 million in the second half of 1990 (77.6 per cent of this being in the food sector). The market situation in Berlin forced the consumer co-operative to abandon unprofitable outlets. The current number of shops stands at 585 (see table).

In 1991 we shall be modernizing our network of retail outlets. The floor space in these shops will be increased by over 5000 m² by opening up storage areas which are no longer needed.

New Structure by 1993

The plans for the network of retail outlets in Berlin go much further. Within the next two years the consumer co-operative intends to reduce its number of shops to about 350. Markets will then be the dominant form (the Berlin consumer co-operative has 64 such outlets at present). Three retailing chains are planned:

- * supermarkets with floor space between 1,000 and 2,000m² and an average range of up to 7,000 items (30 percent of the retail outlets),
- * discount stores up to about 750m² with up to 600 items (30 percent),
- * non-food departments catering for local needs on a shop within a shop basis.

Some 19,000m² of floor space are to be added. The average shop size will then be over 300 m², which is more in line with what is usual for competitors.

The restaurants and public houses are to be sold or leased. And only about 150 of the specialist shops are going to survive. Rents have grown to such

astronomical proportions, particularly in the city, that a profit can virtually be ruled out. In future, stakes in other companies will form one of the principal sources of support for the Berlin consumer co-operative. First and foremost this means Bolle KG, which started out in dairies, in which KONSUM owns 50%, now has its first outlets in East Berlin with the Ackerhalle market hall and a market in Lichtenberg. Others are planned to follow. The company owns about 118 outlets with an average floor space of 550 m². The Berlin consumer co-operative has a 49 percent stake in joint ventures with Stiller footwear called Konsum-Stiller GmbH, which includes 20 outlets in East Berlin, with more in the pipeline

Costs Must be Cut

The new structure is designed to bring a vast improvement in the cost-turnover ratio. At present costs are considerably in excess of gross yield. This has partly to do with the fact that turnover per employee is lower than that of KONSUM's competitors. Further job losses are inevitable.

By mid-1991 the size of the workforce had to be cut to 6,000, less than half the number as of 1 January 1990. Costs are to be further reduced by building a new warehouse so goods can be transported directly to all the shops without any need for intermediate storage.

This is the sole alternative if KONSUM is to have sufficient finance not only for modernization and construction, but also for communication with, and incentives for, its members.



A colourful display of fresh produce

Endeavours for Members

Relations with its members have traditionally been one of the main fields of activity of the consumer co-operative. The demands on communication with members have grown, owing to the disappearance of representative bodies like shop committees and consultative councils. Additional efforts are also required to put across to members the reasons for shop closures. In May 1991, the consumer co-operative still had 284,000 members, although this figure seems destined to fall to just over 200,000 by the end of the year. In an effort to avoid any further decline, regular meetings are being organized in shops at which elected representatives and management staff inform the audience about the work of the co-operative.

Quarterly meetings in the various areas, members' meetings and consumer hotlines have been organized with the same purpose in mind. Information

sheets advertise special offers both in goods and services.

New forms of democratic involvement have been introduced in the shape of consumers' councils dealing with consumer protection and information, a women's guild catering for the interests of female members and a senior citizens' club for older members. Incentives for members include reduced-price holidays and outings at home and abroad as well as children's gatherings and afternoon get-togethers for the family. The Konsumgenossenschaft Berlin und Umgegend also sponsors various programmes to assist the needy. In the past few months it has donated a total of DM 40,000 for a rehabilitation centre, a children's home and a nursing home run by the Church. All projects and plans have in common that they are ultimately designed to encourage members' long-term commitment to the consumer co-operative through attractive shops, competitive prices and good service.

Network of Retail Outlets, Berlin Consumer Co-operative

Type	No. of outlets as per 30/6/90	No. of outlets abandoned as per 13/5/91	No. left
Food markets	65	-	66
Fruit and vegetable shops	95	20	75
Meat and poultry	81	38	43
Food shops, north	146	60	86
Food shops, south	100	43	57
Clothing/footwear/ leather goods	72	21	51
Textiles	94	21	73
Furniture/electrical goods	52	6	46
Household goods/ soaps & detergents/ cosmetics	56	14	42
DIY/leisure	56	10	46
	817	233	585

Source: Konsumgenossenschaft Berlin und Umgegend eG

Lending a Helping Hand

Interview with Jürgen Tantzen

Interview granted to the Verbraucher magazine by Jürgen Tantzen, Chairman of the Consultative Council of the Federal Union of German Consumer Co-operatives (BVK) in connection with the meetings of the ICA Central Committee in Berlin, in 1991.

Mr. Tantzen, what expectations do you have of the meetings of the Central Committee of the International Co-operative Alliance (ICA) due to be held this October in Berlin?

Once a year the meetings of the International Co-operative Alliance offer co-operative representatives from all sectors of the economy a chance to compare notes on co-operative affairs and economic policy. If the ICA didn't exist as a forum for contacts someone would have to invent it.

It goes without saying that in Berlin we shall also be looking at how the ICA Secretariat has been implementing the resolutions adopted last year in Madrid. But the most important item in Berlin this year will be the preparations for the ICA Congress - an event held every four years - scheduled for 1992 in Tokyo.

You mention comparing notes at ICA meetings. Can you give us an example?

At the 1983 ICA meetings in Prague, for example, contacts were established between the Konsumgenossenschaft Dortmund-Kassel eG, the Nada Co-op consumer co-operative from Japan and KF, the consumer co-operative in

Sweden, with the help of BVK. Since that time these three largest consumer co-operatives in the world have been holding intensive consultations with each other at two-yearly intervals on all matters concerned with co-operatives and their day-to-day operations. The Co-operative Retail Society from Britain recently began taking part in these consultations.

I feel that the exchanges which take place at these meetings are certainly of benefit to us in terms of developing our business policy.

Do you see any other possibilities for closer co-operation within the ICA?

Absolutely. Thinking specifically about the consumer co-operatives, we need to give more attention to consumer policy and environmental policy. The ICA Consumer Committee provides an ideal framework for this. It has been working on environmental issues and intends to step up activities in this field.

Some people take the view that the International Co-operative Alliance itself and the way it organizes its meetings are too laborious. Do you share this criticism?

On the one hand, a worldwide organization will inevitably hold meetings at a specific place and at certain intervals to allow its members to share experience and attend to ongoing business. On the other hand, there is a clear need in such an organization for stringent cost management, and I expect the Tokyo Congress to adopt resolutions putting greater emphasis on regional work and slimming down the ICA structure.

However, the assistance provided by the ICA in building up co-operative structures in the developing world and East European countries will have to be continued.

The 1991 ICA meetings in Berlin will be hosted by the Berlin Union of Consumer Co-operatives (VdK). How does the Berlin union co-operate with the umbrella organization (BVK) for the whole of Germany?

We gave full support in 1988 to what was then still the GDR Union of Consumer Co-operatives when it took on the responsibility of hosting this year's meetings of the ICA. And this support from the BVK group has increased with the fall of the Wall, the introduction of the economic, monetary and social union and, finally, reunification. It goes without saying that the success of the ICA meetings will depend on VdK itself, but our solidarity and support are not just empty words.

There is another hope which we harbour in connection with the meetings in Berlin, namely that they may help VdK to add greater weight to its image

as an organization of consumer co-operatives, because this would also strengthen its position in the market.

Mr. Tantzen, following reunification most co-operative unions in West and East Germany joined together under a single umbrella. But we still have the BVK and the VdK. What is the reason for them continuing to exist side by side? And how long is this likely to continue?

In 1990, VdK let us know that it intended to represent the interests of the East German consumer co-operatives and we respected this idea, of course. At the same time we are prepared to provide advice to VdK and other co-operative organizations.

The speed at which the two unions integrate will depend on how quickly they each find their own identity as an organization of consumer co-operatives. That is the yardstick we will be applying at least.

BVK believes that, after a period of consolidation, the consumer co-ops in Germany will only need a group buying association, a group pension fund and a trade association. Predictions as to when the above can be implemented will not be possible before 1992.

Are there any problems arising from this bipolarity during a time of transition?

I don't see any problems provided we can reach amicable agreements to lend a helping hand in the transition period and, at the moment, we're heading in the right direction.

It All Depends on Performance

In the first four months of 1991 the consumer co-operative in Halle recorded the highest turnover anywhere in Eastern Germany. Plans for the year as a whole are for a turnover of DM 1,800 million, although the people concerned know only too well that meeting this target alone is not enough. Competitiveness and economic efficiency are what count. They have set out to attain these goals with new structures, a revamped image and various incentives for members.

The Konsumgenossenschaft Halle eG was set up on 2 December 1990, economic realities having forced the merger of 19 of the 20 consumer co-operatives belonging to the former Halle county union of KONSUM. The new, single organization comprised a total of 1,811 retail food outlets, 505 non-food shops and 262 restaurants and public houses, a 31.8 percent reduction of the network since the beginning of 1990. This reduction was essentially due to inefficient shops being given up and to the termination of rent contracts. The average shop sizes of 68.4m² (food) and 104.8m² (non-food items) indicate that further outlets will have to be abandoned by the end of 1991 if KONSUM is to become competitive. This will leave about 1,100 food shops, 150 non-food outlets and 70 restaurants and public houses. The network is to be split into



Wilfried Albert, Chairman of the Halle Board, "Only good results will convince our members".

two distribution systems for food and five distribution lines for non-food items and held on a tight management rein.

KONSTANT - a new brand name for food shops

Four hundred of the food shops with a current sale area of over 100m² will be enlarged considerably by converting storage space no longer required. They will come under the "food store" distribution system, with quality and freshness as the dominant factors. A distinction is to be made between outlets with a sales area of under 600m²



Konsum Konstant expects a monthly turnover of DM 600,000; fresh products represent 50% of its goods

and those with an area of 600-2,000 m². Specific ranges, fixed locations for the various products and coordinated advertising campaigns are to ensure a consistently high standard of service for members and customers alike. These food markets are to carry the logo "KONSUM KONSTANT", lending an optical dimension to the new corporate philosophy. Ten pilot projects are currently being run by the Halle-based co-operative.

KONSUM's discount chain

The Halle consumer co-operative has a chain of discount markets called KONDI markets which have already withstood their initial difficulties. They offer a standard range of some 480 items. Eighteen markets of this type are in operation at present and account

for about 9 percent of food sales by the Halle consumer co-operative. To attract more customers it is planned to add fresh food departments such as bakeries and meat counters to these markets.

But the Halle concept does not only apply to food markets. Shops below 100m² are also seen as representing a viable proposition. Staggered ranges will be needed, however, to meet the required economic parameters. "We are convinced," management board spokesman Wilfried Albert noted, "that in the future it will be perfectly possible to run a shop of 80m² on a profitable basis." He was referring, among other things, to the 450 villages in the region where the only shops are run by the Halle consumer co-operative.

New non-food outlets

Five types of outlet are currently being developed in the non-food sector:

- * Local markets of 400-500m² are being opened, offering a limited selection from a wide range of goods;
- * With at least 100m² of floor space, specialist shops are being set up which sell a large selection of goods from a limited range. There are plans to expand them into superstores at a later date.
- * Drugstores are also in the pipeline. They will be selling cosmetics, perfumes and related items. Areas of 50m² upwards are suitable for this purpose.
- * Wallpaper and paint shops of 80m² upwards are to provide the basis for DIY stores to be opened in the future.

* 'Aktuell und flott' (modern and stylish) is the name chosen by the Halle consumer co-operatives for a chain of shops to sell a regularly changing range of items on special offer.

Over and above this, KONSUM in Halle has entered into franchising arrangements with Görtz and Hess (shoes), DM (drugstores), Porst (consumer electronics and photographic articles).

Depending on progress in modernization and the range of goods sold, the target is an annual turnover of DM 400 to 450 million (25 per cent of total turnover).

Cutting costs

The Halle consumer co-operative has taken a major step towards cutting costs with the restructuring of its net-



One of the partners of co-operation in the non-food business is the company Porst

work of retail outlets. All shops have been integrated into distribution systems run by distribution managers and, depending on the size of the network, district managers. The size of the workforce has fallen from 24,000 (beginning of 1990) to 14,300, with a further 4,000 jobs to be shed by the end of the year.

The decisive factor here was the turnover per employee, Wilfried Albert pointed out. Given the sweeping changes in East German retailing, it was unreasonable to expect the consumer co-operatives to record a profit this year. But to achieve profitability in the near future the Halle consumer co-operative is aiming at staff costs between 8 and 8.5 percent. Rent and energy costs still represent an incalculable magnitude.

KONSUM production rises

The Halle consumer co-operative has traditionally supplied its shops with items from its own bakery as well as meat and sausage products. Both areas have recorded an appreciable growth in turnover. The fact that they represent good value for money is indicated by the fact that they are not only sold in KONSUM shops but are in great demand for sale in other leading chains as well. Another factor which has helped to raise turnover is the opening of sales facilities run directly by the plants themselves. The bakery, for example, now has 55 shops of its own (to be known in the future as "Moritzbecker - frisch und lecker", taken from Moritzburg castle in Halle) while the meat processing unit plans 60 to 70 shops of its own. The consumer co-operative in Halle has also

invested heavily in logistics. In Eisleben it has its own depot delivering fruit and vegetables to KONSUM outlets. In 1991 the Halle consumer co-operative will be spending a total of DM 65 to 70 million on improving its logistics and modernizing its retail outlets.

The members stand to benefit

Figuring right at the top of corporate philosophy in Halle is the principle that the members should benefit directly from all services offered. The emphasis is not just on cultivating contacts and making the shops pleasant, but also on providing incentives for members. Ingrid Peschek, Co-operative Secretary at Halle, points out, "We offer many different informative events and consultation services to our members, dealing with everyday legal issues and consumer protection, as well as questions like packaging and environmental protection. These are all things which represent a focus of public interest. If we want to reinforce the ties between KONSUM and its customers these are matters we can't afford to ignore." Apart from members' meetings held each month by the 600 plus elected representatives and reserves, the consumer co-operative in Halle offers its members reduced-price theatre, cabaret and concert tickets. In the near future it is planned to establish a women's guild as well as a members' and consumers' council.

For the Halle consumer co-operative it is beyond doubt that economic efficiency combined with commitment to its members is the key to long-term competitiveness.

The BVK Group

Portrait of the Consumer Co-operative Group in Western Germany

by Manfred Dabrunz*

Due to the partition of Germany after the second world war the consumer co-operatives developed into two different political, social and economic systems. This is a report about the development and situation of the Consumer Co-operative Group in Western Germany, the "old" area of the Federal Republic of Germany.

The Consumer Co-operative Group developed positively after the second world war. The Group was the leader in the market place and, for the conservative politicians, the Group was the enemy of the small retailers. Consequently legislation was enacted regulating the activities of the consumer co-operatives - for instance the dividend on purchases for the members was limited to three percent, which is the limit for rebate on cash payments for the retail trade.

Adaptation to competition

Since the sixties, however, there was extreme pressure for the consumer co-operatives to adapt to the growing competition under the leadership of the Bund deutscher Konsumgenossen-



schaften GmbH (BdK), Hamburg, the trade association of the consumer movement and its central economic organization. BdK proposals for the concentration of power in large co-operatives, for personnel training, and the introduction of a co-op symbol were broadly supported. However, adaption to the competition in the seventies and eighties was partly due to the transformation of some consumer co-operatives into joint stock companies, under the umbrella of the Co-op Aktiengesellschaft (Co-op AG), Frankfurt.

From the mid-seventies the fast growing Co-op AG became the dominant company within the group which was also comprised of many small, middle-sized and large consumer societies.

* Manfred Dabrunz is Chief Executive Officer of Bundesverband deutscher Konsumgenossenschaften e. V. (BVK) and has worked for the consumer co-operative movement since 1969.



Since the foundation of Co-op AG in 1974, BdK no longer functioned as the central economic organization, but concentrated on being a trade association for the group.

End of the old co-op group

In 1988, the Co-op Group ran approximately 3,000 shops with a retail turnover of about DM 17,000 million, and around 70,000 employees, 650,000

members and 200,000 shareholders, the latter mainly belonging to Co-op AG.

In Autumn 1988 Co-op AG ran into financial difficulties and there was a lot of controversy concerning its management. As a result, the association of Co-op AG and the other consumer co-ops within BdK ended towards the end of 1989.

The new federal structure

In the beginning of 1990 the Bundesverband deutscher Konsumgenossenschaften e.V. (BVK), Hamburg, was founded by the large and middle sized consumer co-operatives in Western Germany to represent their interests nationally and internationally. In Western Germany today there are 30 consumer co-operatives, which run almost 1,000 shops, with a total selling area of 700,000m². Membership is around 600,000 and turnover for 1990 was over DM 5,100 million. Meanwhile, Co-op AG, which has been reconstructed under the Asko Saarbrücken group, has sold 160 shops in Hamburg, with an annual turnover of DM 1,000 million to the two biggest consumer co-operatives within the BVK group - the Consumer Co-operative Dortmund-Kassel eG in Dortmund, and Co-op Schleswig-Holstein eG in Kiel.

New forms of co-operation

This positive development of the co-operative movement in Western Germany is completed by additional activities of co-operatives in the BVK group in parts of the former GDR.

The Co-operative Dortmund-Kassel for instance is opening new shops and regional consumer co-operatives in Sachsen and Sachsen-Anhalt. Schleswig-Holstein eG is engaged in similar activities especially in large areas of Mecklenburg-Vorpommern.

The East German consumer co-operatives are given support in all economic, technical and legal questions to help them integrate into the market economy.

The co-operation between West and East German consumer co-operatives includes joint ventures, in different legal forms, in running shops and storehouses.

Different paths, same goals

After the fall of the Wall on 9 November, 1989, and the accession of the former GDR to the existing Federal Republic of Germany on 3 October, 1990, the political and legal infrastructure was adapted.

However, the economic and social realities are miles apart. Only a permanent process of reconstruction and investment can abolish the gap between West and East. The situation of the consumer co-operative groups in Western and Eastern Germany depends on the economic development in the country. Both groups are following separate ways for the moment but moving in the same direction.

Tasks of the central organizations

BVK, the Federation of German Consumer Co-operatives, represents the interests of the consumer co-operative group in various fields, especially on questions of legislation and in lobbying parliament and at government level. On the international level, BVK represents the consumer co-operatives in Euroco-op, the umbrella-organization of the European consumer co-operatives within the European Community, and in the International Co-operative Alliance.

The Revisionsverband deutscher Konsumgenossenschaften e.V. (RdK), the Auditing Company for Consumer

Co-operatives, audits the consumer co-operatives and advises them on legal and taxation matters, in addition to representing the movement in legal questions. The RdK is one of three members in the Freier Ausschub der deutschen Genossenschaftsverbände, Bonn, (which is the committee of the German Co-operative Federations).

The **Zentrale Einkaufsgenossenschaft deutscher Konsumgenossenschaften ZEG eG**, the Central Wholesaling Co-operative of German Consumer Co-operatives, coordinates the common wholesaling activities of the consumer co-operatives in Western Germany.

The **Pensionskasse deutscher Konsumgenossenschaften VVaG**, the Pension Fund of the German Consumer Co-operatives, provides additional pensions which supplement the basic state social insurance pensions. The fund has also been recommended for co-operatives in Eastern Germany by the Verband der Konsumgenossenschaften, Berlin.

In the field of co-operative press the consumer co-operatives in the former FRG and GDR are co-operating via the **Merkantil Verlag**.

Zentrale Tarifgemeinschaft der Co-op Unternehmen, The Central Association for Collective Bargaining of the Co-op Companies, which is served by the office of BVK, is responsible for collective bargaining for the consumer co-operatives and the Co-op AG.

BVK is, moreover, serving the **Co-op Verbraucherrat**, which represents the specific consumer policy interests of the individual group-members.

Outlook

BVK is hoping that the economic development in Eastern Germany and especially the expanding possibilities of the Consumer Co-operative Group will be positive in the future. At the end of this process there will be a unified consumer co-operative group in Germany as an important competitor for the co-operatives in the retail sector. BVK and the other central organizations in Hamburg are working towards this goal.

Welcome to Berlin

The West German Consumer Co-operative Movement organized a Congress of the International Co-operative Alliance in 1969, a Central Committee meeting in 1977 and another Congress in 1984. All these meetings took place in Hamburg. This year Verband der Konsumgenossenschaften (VdK), ICA member organization in Berlin, is organizing the 1991 Central Committee meeting. This will be the fourth important ICA meeting to be held in Germany in the past 24 years.

On behalf of the members and the employees of the Consumer Co-operative Movement in the FRG, BVK sends co-operative greetings to all participants at the meetings connected with the Annual ICA Central Committee in Berlin. BVK hopes that the results of these meetings will be profitable for co-operatives in all parts of the world.

The Konsumgenossenschaft Dortmund-Kassel eG

by Reimer Volkers*

The Konsumgenossenschaft Dortmund-Kassel eG is among the most modern and successful retailers in Germany. Its activities cover an area extending from Westphalia, North Hesse and Hamburg (including parts of Lower Saxony) to Saxony, Saxony-Anhalt and Thuringia. In the latter three states it works closely with the local consumer co-operatives of Zwickau, Leipzig, North Saxony and Gera, and in Hamburg with Co-op Schleswig-Holstein eG. The co-operative runs more than 370 modern retail outlets under the names Co-op supermarkets, Co-op centers, Plaza self-service stores, Fabi discount markets, Drowa drugstores, DiBetta-Moda and Toplight clothes shops, Top-Tec TV, radio and hifi markets. Investment in the modernization and expansion of shops amounts to approximately DM 40 million annually, and in 1990 the co-operative recorded a total turnover for the year of over DM 3,000 million.

Of the 1.5 million households and families in the immediate area covered by the Dortmund-based company, over 33 percent are members and therefore co-owners of the consumer co-opera-



tive. The key to success has been decades of close and continuous co-operation with members, with the focus invariably on grassroots participation and decision-making, and a constantly growing range of attractive services for the members.

Founded in 1901 by shopfloor and office workers to offer everyday goods at prices undercutting private retailers, the Dortmund-based co-operative can look back on a long and eventful history. The idea was born out of necessity. The structure and basic principles have remained the same to this day: to offer goods of verifiable quality at a competitive price and to operate a profit-sharing scheme exclusively among the members. In its

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first year of existence the consumer co-operative had just 349 members, a figure which had grown to almost 500,000 by 1990 and increases every year by about 10,000.

Throughout its long history the Dortmund co-operative has always maintained its self-sufficiency; it is economically and legally an independent entity and belongs exclusively to its members.

Financial incentives for members are, of course, dependent on competitive goods being offered at the right prices in a network of modern retail outlets. There are about 12,000 committed members of staff, including 1,200 trainees, to ensure that these standards are maintained and improved every day.

By way of proof let us compare the sales figures for 1970 and 1990. Annual turnover grew from DM 4 million in 1970 to DM 3,000 million 20 years later, as already mentioned. In 1991 the co-operative expects a further increase of DM 750 million.

The organization has seen major expansion in the past few years due to high investments in retail units and headquarters. In 1990 alone 25,000 additional square metres of floor space were opened to the public. The co-operative expects to receive further impetus for growth from Saxony and Thuringia where it is working closely together with the local KONSUM organizations and has recently established joint logistics operations with them.

Some 80 percent of all goods delivered to the shops from our own warehouses using our own fleet of lorries and vans. This makes for better central control of the flow of goods and improved shopping conditions.

The co-operative has at its disposal some 93,000 square metres of warehouse space in Dortmund-Brackel, Dortmund-Wambel and Kassel. The co-operative has no manufacturing capacity of its own, but it does have butchery and packing facilities in Kassel and Hamburg. It obtains its own-name products from various manufacturers.

Members' incentives - the key to success

The economic democracy practised in the Dortmund-Kassel consumer co-operative is reflected in regular meetings. They comprise members' meetings (302 shops), district representatives' meetings (23 districts), area representatives' meetings (4 areas) and a general representatives' meeting (564 representatives). This means that the involvement of the co-operative's members extends from the individual shop right up to corporate policy.

A total of 109 members' meetings were held in 1990. Each individual is allowed to purchase up to ten shares whose par value was raised from DM 300 to DM 500 by a decision of the general representatives' meeting. In line with the mission of a co-operative to offer incentives to its members, another method was established of involving them to a greater extent in



Regular meetings are held to ensure democratic participation

the economic success of the venture and raising equity for the Konsumgenossenschaft Dortmund-Kassel eG. Members are now not only reimbursed a proportion of what they spend but also receive a dividend on their actual shares. To see that membership can be a very attractive financial proposition one only has to look at the dividends paid out over the past two years, around 11 percent in both cases. What bank can compete with that?

For a large number of co-operative members, Hellweg in Bracken, part of Dortmund, is a street that has become quite familiar, and not only because the headquarters of the consumer co-operative is situated here and the managing board and staff are always receptive to their questions and problems. Up to 500 members a day congregate at the meeting centre, a building equipped with the latest technol-

ogy and facilities for informal occasions, seminars, conferences, etc. This is the place where people can obtain information about the co-operative and where the Consumers' Council and Women's Guild meet and celebrations are held on special occasions.

Alongside the members' meetings, this provides another opportunity for direct contacts with members and customers in a relaxed atmosphere. Entertainment programmes include performing artists, tombolas, singing and dancing. At the

beginning of each gathering the co-operative secretary welcomes the approximately 400 participants and informs them of the latest developments.

The list of events could be continued. They all have one thing in common : they attract interest - and therefore interest in the Dortmund-Kassel consumer cooperative.

Voluntary Institutions

The Women's Guild and Consumers' Council, which emerged from a women's association movement, now has 750 members, all of them elected representatives, who meet eight times a year in various working groups. Eighty per cent of the women are not in occupational employment and, therefore, view their involvement in these groups as a welcome change. It is equally welcome to the co-operative

itself, because through their work they spread the co-operative idea among customers and do a great deal to recruit new members. They assist shop managers and their staff and organize ticket sales for the events held at the meeting centre. Hans-Joachim Klemke, Secretary and responsible for members' schemes in the co-operative, says of the Women's Guild, "Our women are not just transmission cogs, but they give a precise impression of the mood on our premises and among our customers."

The Members' and Consumers' Council comprises one representative from each of the 23 districts and six representatives of the supervisory board. Its responsibilities include maintaining contact with the authorities, criti-

cally assessing legislative plans at regional, central and European Community level, and drawing up the appropriate comments and recommendations. It presents proposals for solutions to regional problems.

The Chairs of the Consumers' Council and the Women's Guild both belong to the Supervisory Board, ensuring that democracy functions here too.

"All these activities, including personal contact with long-standing members on family occasions, back up the financial incentives provided to members," Hans-Joachim Klemke points out, "and it is in this combination that we see the recipe for success."



Our future generation will also benefit from today's activities

Co-op Schleswig-Holstein eG on the Road to New Markets

by Uwe Malterer*

The consumer co-operative Co-op Schleswig-Holstein, with its headquarters at Kiel, is the most northern active consumer co-operative in the Federal Republic of Germany. Its area includes Schleswig-Holstein, Hamburg, the northern part of Niedersachsen as well as Mecklenburg-Vorpommern, belonging to the five new Federal counties.

Co-op Schleswig-Holstein eG (Kiel) ended the 1990 business year with well above average returns in all areas. The first six months of this year suggest that the rapid expansion is set to continue. This is not least due to the activities in Mecklenburg-West Pomerania. But the traditional service in Schleswig-Holstein is also expected to show above-average growth. Total turnover is estimated at DM 2.3 billion.

In fact, the 1990 business year for co-op Schleswig-Holstein was the best in its history. The net profit for the year, at DM 6.23 million, more than doubled that of the previous year. Turnover grew by 18.3 per cent, or DM 260 million, to reach about DM 1,700 million. This is primarily due to the takeover of the retail outlets run by the former



consumer co-operative PRODUKTION, known as PRO in Hamburg and the opening of the borders with what used to be East Germany. The takeover of PRO in Hamburg is a milestone in the development of Co-op Schleswig-Holstein. In order not to go beyond its means, Co-op Schleswig-Holstein eG tackled this project jointly with the Dortmund-Kassel organization. The former PRO network in Hamburg consists of 173 markets which had a turnover of about DM 1 billion. Co-op Schleswig-Holstein sees major potential for growth in PRO-VHG trading company, Hamburg. In the current year attention is focussed on raising PRO's efficiency, rebuilding it and expanding the volume of business.

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Co-op Schleswig-Holstein eG. in Kiel

Co-op Schleswig-Holstein eG sees a "natural" expansion of its market in Mecklenburg-West Pomerania. Consistent support from the Kiel-based company has been a great help in putting a large number of co-operatives together to form two big ones in Neubrandenburg and Rostock. And business is in the black. Co-op Schleswig-Holstein eG runs seven markets in what used to be East Germany, with a floor space of 10,000 square metres and an envisaged annual turnover of DM 146 million. It runs the floating plaza centre in Rostock alone and the others together with the locally based consumer co-operatives.

In 1990 co-op opened a total of 23 retail outlets, including three co-op fresh food markets, four Top-Frisch markets, four SK markets, four Wandmaker markets, a DIY store, four SKY markets and two non-food markets

together with the consumer co-operatives in what used to be the GDR, as well as a floating department store in Rostock. The growth rates in the various outlets are as follows:

Co-op fresh food markets	+ 4.6%
Top-Frisch markets	+ 6.5%
SKY markets	+10.7%
Wandmaker markets	+ 6.4%
Plaza department stores	+ 8.6%

The conversion of existing co-op and SK markets to the SKY fresh food range was continued successfully in 1990. Plans are to convert all SK markets and all other structurally suitable markets to the new line by 1992. The rather unsatisfactory development in turnover and returns in the non-food markets has led to the abandonment of this line. In 1990 co-op ran a total of 177 branches with 201,000 square metres of sales floor and had stakes in



Plaza shopping centre

another 179 markets with 135,000 square metres of sales floor.

Following above-average investments of DM 82.6 million in 1990, plans are for a considerable investment in the current year as well (DM 56.5 million). Six new outlets are to be opened, the plaza department store in Lübeck and the headquarters in Kiel expanded. All these measures have one thing in common, namely to bring sound economic growth to Co-op Schleswig-Holstein eG as a self-sufficient organization. The emphasis continues to be on returns rather than growth. Apart from the longer-term investments mentioned in Hamburg, Mecklenburg-West Pomerania and Schleswig-Holstein, the main immediate objectives are:

- * to carry out a systematic modernization programme for existing outlets;
- * to improve staff quality through intensive training;
- * to expand the fresh food sections in the markets, and



SK centre

- * to improve the efficiency of the entire company through the use of advanced technology.

Business has developed very positively in the first half of 1991. In its traditional service area, Co-op Schleswig-Holstein eG was able to raise its turnover by 10.4 percent to DM 658 million in the January-May period, and throughout the company as a whole by 48.5 per cent to DM 885 million. In the period up to 30 June turnover increased to 1,059.3 million.

A total of 27 outlets are planned for the east of Germany, trading mainly under the names plaza and SKY. It is probable that another five outlets will be added to the seven mentioned before the end of the year. The development of adequate logistics is essential for the proper functioning of these markets. As a first stage it is planned to build a 20,000 square metre warehouse beside the Rostock-Güstrow motorway, to be followed by an extra 10,000 square metres for fresh food. The same

site is to house a training centre and be the management base for the markets run by co-op. In the Hamburg area it is planned that all the markets taken over by co-op AG should be trading either as PRO (local shops) or SKY (larger markets) by the end of 1993. There are plans to increase warehouse space in Allermöhe. In the traditional service

area of Co-op Schleswig-Holstein, four markets belonging to Co o AG were taken over as of 1 July 1991. The markets in Husum and Rendsburg will be trading as Wandmaker in future, those in Lübeck and Itzehoe as SKY. Turnover in the entire area covered is expected to reach DM 2.25 billion in 1991.

Balance sheet comparison 1990

	1989	1988	
Balance sheet total* (including subsidiaries)	469,553	330,482	319,419
Paid-up shares*	12,272	12,133	11,579
Unused reserves*	43,133	41,702	40,002
Balance-sheet surplus*	6,237	2,444	3,008
Investment*	82,648	36,652	96,600
Number of members	26,534	26,516	42,192
Number of shares	129,460	128,162	135,178

Turnover*

Co-op markets	457.8	451.7	480.9
SK/SKY markets	458.2	417.6	401.3
Wandmaker markets	267.5	228.4	208.6
Plaza department stores	280.3	255.5	257.4
Food markets (top frisch)	65.5	58.7	54.6
Non-food markets - others	22.4	22.7	
Subsidiaries (50%)	143.4		
Total	1,695.1	1,434.6	1,402.8

Sales area

(incl. subsidiaries 50%)	201,173	189,767	191,360
Customers (mill.)	67.4	65.9	62.6
Employees	6,772	5,644	5,447

* in DM mill.

The Volksfürsorge Group of Insurance Companies

by Wolfgang Schwickart*

Everyone needs security, and that's why millions of people in Germany have, for many decades, been putting their trust in a strong and reliable partner when it comes to life assurance and financial provision.

This partner is Volksfürsorge, an insurance group which is famous for its pioneering work in Germany and is looking to the future with confidence. This is why Volksfürsorge will continue to consolidate its leading position in the insurance business as we pass through the nineties. Its business policy has brought constant success, steady growth and growing returns. Spearheaded by Volksfürsorge Holding AG, the parent company, since 1989 the group has been able to boast a modern corporate structure geared to the requirements of the times and securing it an expanding position in insurance. The group's ambitious plans to continue increasing its volume of business have been boosted by the extension of activities to the whole of the united Germany.



How it all Began

The Volksfürsorge organization commenced business on 1 July 1913. It was set up in response to the bleak situation facing the working population at the time. Many of them were encountering financial difficulties and unable to keep up payments on their insurance policies, so that they lost previous payments as well. This led to a decision by trade unions and cooperatives to establish their own life assurance society "for the people" (hence the name Volksfürsorge, literally "care for the people") offering policies that met the needs of ordinary workers. The idea was crowned with success right from the start. One hundred thousand policies were is-

* Wolfgang Schwickart is Deputy Chairman of the Managing Board of the Volksfürsorge Group



All under one umbrella!

sued within less than eight months. In terms of sheer numbers, the Volksfürsorge organization grew to become Germany's biggest life insurer by 1929. It had the great advantage of offering easily understood payment schemes that could be followed with ease by the man in the street.

The year 1925 had seen the founding of the "Eigenhilfe" Feuer- und Sachversicherung AG, today's Volksfürsorge Deutsche Sachversicherung AG, a company offering property insurance on terms in keeping with the income levels of large sections of the population.

Volksfürsorge customers were among those who were particularly hard hit by economic crises and galloping inflation. But there was no cause for fear

as their money had been deposited in safe investments.

World War II had been over for just a few months when the Volksfürsorge organization resumed business in late 1945. The success of the first 20 years was not long in returning, and since then the company has never looked back.

The New Beginning

In a matter of just eight years after the war, the organization having been started again from scratch, the name Volksfürsorge regained its old ring. In 1954 its solid customer backing and impressive performance meant that Volksfürsorge once again ranked among the top German life insurance companies.

In mid-1958 over 770,000 endowment policies reached maturity at a single stroke, the result of a conversion scheme which coincided with the currency reform and was designed to save the policyholders from loss of insurance cover. Without a hitch Volksfürsorge paid out a total of DM 183 million in insurance money plus DM 37 million in dividends, once again providing impressive evidence of its viability as a going concern.

Growth

The sixties represented a period of expansion in the true sense of the word. In 1968 the Volksfürsorge group was established with the Volksfürsorge Deutsche Lebensversicherung AG, the Volksfürsorge Deutsche Sachversicherung AG and their subsidiaries. This

milestone in the history of the company was marked by the adoption of a modern, dynamic company logo, and the slogan "Keine Sorge - Volksfürsorge" (Don't worry - Volksfürsorge is here to help). It is a slogan which remains as attractive and effective as on the day it was introduced.

1968 also saw the establishment of the Volksfürsorge Rechtsschutzversicherung AG, now trading under the name AdvoCard Rechtsschutzversicherung AG. It rounded off an impressive range with policies to insure against expenses in connection with litigation brought with regard to traffic incidents, housing and family law.

In 1969, the Volksfürsorge Deutsche Lebensversicherung AG shook the



Volksfürsorge Headquarters seen from the Alster river

market with considerably lower life insurance premiums. Volksfürsorge was also a pioneer of affordable payments under legislation encouraging regular saving by persons in employment (the so-called DM 624 Act).

Making rapid headway

It was in the seventies that the insurance group turned its attention to growth. To take just one example, the profit share paid out to customers with life assurance policies was always the highest in the branch. For all its successes, however, the company endeavoured to remain what it always had been - a service organization established to help people and to do so better than other companies.

According to this logic, the Volksfürsorge organization introduced a new and more flexible type of life insurance policy in the seventies; one which allowed policyholders to adjust their payments to the general trends in wages and prices without the need for a repeat medical examination.

The Volksfürsorge Deutsche Sachversicherung AG also hit the headlines. Shorter working hours meant that leisure was playing a growing role in people's lives. With this in mind it pioneered the leisure accident insurance policy.

Attention holding ideas

It fell to the Volksfürsorge group once again to achieve a breakthrough with innovations in the insurance market. In 1981 it was the first company to waive what had until then been a universal waiting period between an

application being made for a life insurance policy and it taking effect.

1981 saw the establishment of the Volksfürsorge Krankenversicherung AG, a company specializing in health insurance for travellers. A scheme introduced by Volksfürsorge in 1983 granting deferral of payment by life assurance clients for up to one year won widespread acclaim as an advance in social welfare policy.

The computer system used at Volksfürsorge is among the most modern in the branch, the network being among one of the largest installed at any insurance company in Germany. Back in 1986 the Volksfürsorge group commissioned an information, data processing and communication system which has attracted approving attention. The main offices are linked by computer to every branch so that agents can obtain important information for their clients round the clock and wherever they may be.

Advances for the future

An innovative business policy is one which refuses to sit back on success past and present. Right at the beginning of 1990 the Volksfürsorge group evoked major public interest with new insurance schemes.

The Super 3 Programme, as it is known, is a particularly flexible policy for young families and young executives offering particularly high life cover in the early years and growing capital formation for a low initial monthly payment.

Co-operative Publications, Videos & Gifts

Publications in English

- ICAHO/001 **The International Co-operative Alliance 1895-1970 by W.P. Watkins**
Published to mark the 75th anniversary of the ICA, this comprehensive work presents the history of the organization, from its very beginning up to the year 1970. The author gives the background of ICA's evolution, from its first manifestations in 1895, to its present status, as the world's largest NGO recognized by the UN. The book also analyses the ICA in relation to its constitution, expansion, working methods, international collaboration, regional development, etc.
Published 1970, 385 pp., price CHF 20.00.
- ICAHO/002 **Co-operation as an Instrument for Rural Development; Papers from an International Conference organized at Ghent University, Belgium, 21-24 September, 1976 edited by M. Konopnicki and G. Vandewalle**
This book is divided into four sections (i) service and production co-operatives, (ii) relations between co-operatives and their members, (iii) co-operatives and the state, and (iv) financial problems of co-operatives.
Published 1976, 160 pp., price CHF 12.00.
- ICAHO/003 **Thrift and Credit Co-operatives and their Economic & Social Development; Report of the 4th International Conference on Co-operative Thrift and Credit, Rio de Janeiro, 17-21 April, 1977**
This report summarizes the discussions on thrift and credit co-operatives as a response to specific needs, including the needs of the very poor, problems of thrift and credit co-operatives faced with competition, strategies for efficiency of the co-operative sector and the role of the thrift and credit co-operative movement in the prevailing international economic situation and monetary crisis.
Published 1977, 128 pp., price CHF 16.00.
- ICAHO/004 **Co-operatives and the Poor; Report of an Experts' Consultation**
An Experts' Consultation on 'Co-operatives and the Poor' was held in July, 1977 at Loughborough, UK. The aim of the conference was to discuss how best the co-operative movement can support the needs of the poor. The future role for co-operatives is also debated in the book.
Published 1978, 96 pp., price CHF 9.00.

- ICAHO/005 **Co-operatives in the Year 2000; Paper prepared for the 27th Congress of International Co-operative Alliance, Moscow, by A.F. Laidlaw**
- This book is divided into six parts; (i) the perspective of Congress, 1980, (ii) world trends and problems, (iii) co-operation, theory and practice, (iv) the performance and problems of co-ops, (v) choices for the future, and (vi) crucial questions.
- Published 1980, 98 pp., price CHF 9.00.**
- ICAHO/007 **An ICA Policy for Co-operative Development**
- This booklet provides an overview of ICA's policy concerning co-operative development, the use of the development fund and ICA's collaboration with the 'UN' agencies. (This publication exists also in French, German, Spanish and Russian).
- Published 1983, 28 pp., price CHF 9.00.**
- ICAHO/008 **Co-operatives To-day; Selected essays from various fields of co-operative activities : A tribute to Prof. V. Laakkonen , edited by Mary Treacy & Lajos Varadi**
- In this volume, 30 authors with an international reputation for their work on co-operative questions explain some of the problems and goals of co-operation today.
- Published 1986, 541 pp., price CHF 38.00.**
- ICAHO/009 **Report of the ICA Commission on Co-operative Principles, 2nd edition**
- Co-operative principles are focused on and their essential characteristics identified.
- Reprinted 1986, 36 pp., price CHF 6.00**
- ICAHO/010 **Co-operative Housing, 2nd revised edition**
- This is a handbook on how to form new housing co-operatives. Economic, technical, management and administrative aspects of housing co-operatives are analysed.
- Published 1987, 123 pp., price CHF 10.00.**
- ICAHO/011 **The International Co-operative Movement - Changes in Economic and Social Policy, edited by Juhani Laurinkari and published in honour of Professor Dr. Jerzy Kleer for his 60th birthday**
- In this book 20 authors present articles, in both English and German, concerning economic and social policies in relation to the co-operative movement. The importance of discovering new practical and ideological methods in order to meet the challenges of a rapidly changing society is also discussed.
- Published 1988, 468 pp., price CHF 40.00.**

ICAHO/012

The Future of Participative and Democratic Enterprises, Third World Conference of CICOPA

This volume contains the documentation from the Third CICOPA Conference in Paris, February 23-26, 1988. 63 countries were represented to discuss questions relating to co-operative enterprises and the demands of today and the future.

Published 1988, 300 pp., price CHF 50.00.

ICAHO/013

Consumer Co-operatives in a Changing World (2 vols.), edited by Johann Brazda and Robert Schediwy

In recent years, consumer co-ops in many countries have faced serious difficulties and the studies in this book have examined the problems of ten consumer co-operative movements in depth, with the aim of helping co-operative leaders assist their movements to regain their rightful place in their respective economies. Historically consumer co-ops have helped to create the very concept of "Co-operation" and are responsible for the articulation of the famous "Rochdale Principles" from which the present international co-operative principles have evolved. The crucial challenge today is to apply co-operative principles and values in order to meet rapidly-changing economic and social demands.

Published 1989, 1,105 pp., price CHF 40.00.

ICAHO/014

Women as Equal Partners in Third World Co-operative Development; Policy Statement of the ICA Women's Committee

This policy document seeks a new attitude towards women in co-operative development in third world countries. The booklet also contains several recommendations from the women's committee to ensure full participation of women in development projects.

Published 1983, 12 pp., price CHF 6.00.

ICAHO/015

Thrift and Credit Co-operatives in a Changing World, Report of the 5th International Conference on Co-operative Thrift and Credit, New Delhi, 16-20 February, 1981

This book presents a collection of working papers distributed during the conference on topics such as changes in the social and economic environment as they affect co-operative thrift and credit; thrift and credit co-operatives confronted with the needs of the under-privileged; the international inter-lending programme - present and future; and co-operatives as banking institutions.

Published 1981, 207 pp., price CHF 10.00.

ICAHO/016

Co-operatives and the State

This book contains the report of the discussions held at the meeting of the ICA Central Committee at Copenhagen, Denmark from 11-13 September, 1978 and summarises the views of the participants on the relationship between co-operatives and the state in different parts of the world.

Published 1980, 80 pp., price CHF 9.00.

ICAHO/017

Co-operative Values and Relations between Co-operatives and the State; Working papers of a seminar in New Delhi, October 3-6, 1989

This book, which is a compilation of the working papers from the seminar and annual meeting of the ICA Working Party on Co-operative Research, Planning and Development, contains 16 papers presented by the seminar participants.

Published 1989, 262 pp., price CHF 25.00.

ICAHO/118

Co-operation for Survival by Koenraad Verhagen

The book is the result of a multi-level research project which focuses on small households in Sri Lanka and Thailand. The question of how to encourage self-help is discussed and also the question of what form of co-operative organization is most useful for small households. **Published 1970, 385 pp., price CHF 20.00**

Published with the Royal Institute of Tropical Studies, 1984, 247 pp., price CHF 20.00.

ICAHO/019

How to Become an Effective Board Member

This publication focuses on the duties and responsibilities of board members and it presents suggestions on how they can improve their effectiveness.

Published 1989, 17 pp., price CHF 10.00.

ICAHO/020

Modern Personnel Policies - A Model for Co-operative Organizations

This manual covers such issues as staff policies and procedures, interviews, recruitment and staff mobility, allowances, salaries, benefits and contains sample forms for use in personnel departments.

Published 1990, 120 pp., price CHF 20.00.

ICAHO/021

Agricultural Co-operatives in Japan - The Dynamics of Development by M. V. Madane

This book attempts to bring to the reader the dynamics of growth of the Agricultural Co-operative Movement in Japan, and discusses some of its present-day priorities and problems.

Published 1990, 212 pp, price: CHF 50.00.

- ICAHO/022 **Organization Development in Co-operatives - Structures and Processes** A Regional Perspective by Folke Dubell
Published 1989, 148pp., price CHF 15.00.
- ICAHO/023 **Research Register of Studies on Co-operatives in Developing Countries and Selected bibliography**
Published - Nos. 15/16 (1986), 17/18 (1987), 19/20 (1988), 21 (1989).
approx.102 pp., price CHF 10.00 each.
- ICAHO/024 **Reformulation of the Fundamental Principles of the Co-op Movement**
Published 1964, 25 pp., price CHF 6.00.
- ICAHO/025 **Co-operative Management for 1970s**
Published 1972, 47 pp., price CHF 6.00.
- ICAHO/026 **Co-operative Development Decade 1971-1980**
Published 1972, 12 pp., price CHF 6.00.
- ICAHO/027 **ICA Rules & Standing Orders**
Revised 1988, 25 pp., price CHF 6.00.

Central Committee Summaries

- 1985 Washington - multi-lingual - English with summaries in French, German, Spanish and Russian, 94 pp., price CHF 8.50.
- 1987 Budapest, 46 pp., price CHF 8.50.

Congress Reports

- 1930 13th Congress - Vienna, 302 pp., price CHF 16.50.
- 1948 17th Congress - Prague, 215 pp., price CHF 16.50.
- 1954 18th Congress - Paris, 265 pp., price CHF 16.50.
- 1957 20th Congress - Stockholm, 344 pp, price CHF 16.50.
- 1963 22nd Congress - Bournemouth, 289 pp., price CHF 16.50.
- 1980 27th Congress - Moscow, 116 pp., price CHF 12.00.
- 1984 28th Congress - Hamburg (Agenda and Meeting Documents) 238 pp., price CHF 7.00.
- 1984 28th Congress - Hamburg Congress Report - multilingual - English with summaries in French, German, Spanish and German. 240 pp., price CHF 16.50.
- 1988 29th Congress - Stockholm (Agenda and Documents) 156 pp., price CHF 10.00.
- 1988 29th Congress - Stockholm (Congress Report) is part of ICA Annual Report for pp., price CHF 10.00.

ICA Directories

Directory of ICA members, cttee members, officials, UN reps, staff, etc. published annually, price CHF 10.00.

Directory of Co-operative Press, published periodically, price CHF 10.00.

Books By Other Publishers

- ICAHO/101 **The International Co-operative Movement; past, present and future, by A.I. Krasheninnikov**
- In this book, the author, who is an expert on international co-operation, summarizes the major problems of co-operatives worldwide. The role of ICA since its foundation to 1984 is analysed in relation to socio-economic conditions, historical developments, and co-operatives in capitalist, socialist and developing countries. This evaluation of ICA's role is made from a Marxist-Leninist point of view.
- VdK, Berlin, 1984, 337 pp., price CHF 20.00.**
- ICAHO/102 **The Italian Co-operative Movement: A portrait of the Lega Nazionale delle Cooperative e Mutue, by John Earle**
- A study of the Italian Movement with its amazingly varied co-operative sectors, its Third World work and its furtherance of the co-operative formula through experimental developments which could help in meeting the post-industrial challenge. This makes essential reading for all those who want to understand a co-operative relevance to the fabric of society generally and its potential on the world scene.
- Allen and Unwin, London, 1986, 246 pp., price CHF 60.00.**
- ICAHO/103 **Co-operative Principles Today and Tomorrow, by W.P. Watkins**
- In this book, Mr. Watkins, who is known worldwide for his work and service to the co-operative movement, presents a detailed analysis of co-operative principles. The relation between the basis of co-operative principles and their practical application is also discussed.
- Holyoake Books, Manchester, 1986, 168 pp., price CHF 15.00.**
- ICAHO/104 **The Enigma of Membership, by Kaj Ilmonen**
- The author analyses the Finnish Co-operative Movement throughout the years from a wide range of perspectives, especially the relationship with its members.
- Cooperative Institute, Stockholm, 1986, 226 pp., price CHF25.00.**
- ICAHO/105 **Banking on the Grass Roots - Co-operatives in Global Development by Bruce Thordarson, Director of ICA**
- This booklet discusses the co-operative philosophy and the role of co-operatives as a development tool.
- The North-South Institute, Ottawa, 1990, bilingual English/French, 62 pp. price CHF 15.00.**

ICAHO/106 **Co-operative Development and Change: Proceedings from a Conference; edited by a committee comprising of Sven Ake Böök, Karin Jonnergård, Maria Fregidou-Malama, Jan Moback, Kjell-Arne Nilsson, Berith Wikström**

In July 1988, an international research conference on 'Traditions and Trends in Co-operative Development and Change' was organized in Stockholm, Sweden. The main issues discussed were the problems facing the movement and the relation between tradition and performance during later decades. This book reproduces some of the speeches and papers which were presented.

Society for Co-operative Studies, Stockholm, 1988, 178 pp., price CHF 15.00.

ICAHO/107 **A Moral Commitment, by Nils Thedin**

The role of the co-operative movement in relation to development and international collaboration is discussed in this richly illustrated book. The author, who was a devoted Swedish co-operator, refers to many practical examples of development in the field. The volume is dedicated to the memory of Albin Johnasson, one of the great Swedish co-operative leaders.

Swedish Co-operative Centre, 1988, 141 pp., price CHF 15.00.

ICAHO/108 **The History of Care - A Personal Account by Wallace J. Campbell**

This is a history of the role and development of CARE- Co-operative for American Relief Everywhere. The author, a founding member, tells how the organization was created to send food packages to Europe after the devastation left by World War II. He goes on to describe how it has developed into a global network of 11 independent organizations helping to meet the needs of the developing world.

Praeger Publishers, New York, hardback pp 140, price CHF 40.00

ICAHO/109 **The Convinced Cooperator, George Davidovic, edited by Rudolf Cujes**

This is a publication in honour of the late Professor George Davidovic, born in 1901 in Yugoslavia, who died in Quebec in 1988. The book presents Professor Davidovic's career in the co-operative movement and includes selected articles from his major works on co-operative issues.

Co-operative Resources Ltd., Antigonish, 1989, 150 pp., price CHF 20.00.

ICAHO/110 **Robert Owen: Industrialist, Reformer, Visionary, 1971-1988, by Margaret Cole, John Butt, William P. Watkins and John Harrison**

This booklet presents four essays on Owen, the shop-boy from Wales, who became a visionary and established, at New Lanark, a model factory, village and school. He believed in universal co-operation and in a new moral world order.

Holyoake Books, Manchester, 1983, reprinted 1989, 34 pp., price CHF 6.00.

ICAHO/111 **Robert Owen and his Relevance to our Times; Addresses contributed during the Robert Owen Bi-centenary Summer School, July 17th to 23rd, 1971**

Robert Owen (1771 - 1858) and his ideas and principles are closely associated with the co-operative movement. This book presents five speeches on Owen as a co-operator, an economist, a trade unionist, an educationalist, Owen and the environment and Owen in his own time.

Holyoake Books, Manchester, 1971, 63 pp., price CHF 6.00.

ICAHO/112 **Co-operative Law in Practice: A handbook of legislation for co-operative development, by Peter Yeo**

This fulfills a long-felt need for an up-to-date book on co-operative law for the layman. It is a handbook for the understanding and practical application of the law and, through its comparative approach, a guide for the development, by each country, of legislation appropriate to its particular conditions. The text consists basically of excerpts from the laws of different countries with brief objective explanations of each, and a section with recommendations at the end of each chapter. An invaluable aid for teachers and an essential handbook for governments, development agencies and managers of co-operatives.

Plunkett Foundation and Holyoak Book (UK), 1989, 268 pp., price CHF 35.00.

ICAHO/113 **Yearbook of Co-operative Enterprise**

This collection of articles focuses upon development in co-operative credit and banking, co-operation across boundaries and an annual review of co-operation in the United Kingdom. A very interesting book on co-operative enterprises of today.

Plunkett Foundation, Oxford, 1991, 199 pp., price CHF 38.00.

ICAHO/114 **People-Centred Business, by Edgar Parnell**

This booklet presents the subject of people-centred business and discusses what they are, how they become successful and why they are important. It is an informative and useful booklet on the nature of people-centred businesses.

Plunkett Foundation, Oxford, 1990, 22 pp., price CHF 15.00.

ICAHO/115 **Rochdale Pioneers Museum, Toad Lane**

This richly illustrated booklet presents the historical background to the establishment of the Rochdale Society. Full of pictures and useful historical information, it takes the reader on a guided tour through the Rochdale Museum.

Holyoake Books, Manchester, 1990, 20 pp., price CHF 8.00.

ICAHO/116 **Mauritz Bonow, by Lars Eronn & Alf Carlsson**

This book recounts the life and contribution of a distinguished co-operator both in Sweden and internationally, including his work to promote co-operative growth all over the world.

Swedish Co-operative Institute, 60 pp., price CHF 14.00.

ICAHO/117 **Farmer Centred Enterprise for Agricultural Development: Co-operative Action in Credit Supply and Marketing, by Trevor Bottomley**

This work describes small farmers' operations and their service needs; the methods - from state enterprise to farmers' associations - of supplying them; and the advantages and limitations of co-ops.

Published by the Plunkett Foundation, Oxford, 172 pp., price CHF 25.00.

ICAHO/118 **The Co-operative Movement in Sweden, by Sven Ake Böök and Tore Johansson**

The co-operative movement forms an important part of the Swedish economy and welfare state, which today finds itself in a period of major transformation. This book looks at the movement's development and examines possible future problems and challenges.

Swedish Society for Co-operative Studies, 196 pp., price CHF 25.00.

ICAHO/119 **Impossible Organizations, Self-Management and Organizational Reproduction by Yohanan Stryjan**

This is a notable study outlining a new theoretical perspective on self-managed organizations based on the perception that, in this instance, theory best proceeds from organizational practices as they are applied in such organizations.

Swedish Co-operative Institute, 200 pp, price CHF 50.00.

Publications in Spanish

ICAHOS/007 **Una Política para el Desarrollo Cooperativo.**

Este panfleto presenta lo esencial de la política de la ACI sobre el desarrollo cooperativo, la utilización de fondos de desarrollo y la colaboración con las Naciones Unidas.

Publicado por ACI, 1983. 28 pp., precio CHF 9.00.

ICAHOS/010 **La habitación cooperativa (segunda edición revisada).
Publicado por el Comité de Vivienda de la ACI, 1987, 123 pp.,
precio CHF 10.00.**

ICAHOS/012 **El Futuro de la Empresa Participativa y Democrática**

Tercera Conferencia Mundial del CICOPA (Comité Internacional de Producción y Artesanales), Paris 23 - 26 febrero 1988.

Publicado 1988, 316 pp., precio CHF 50.00

ICAHOS/026 **El Decenio de Desarrollo cooperativo 1971-1980**

ICAHOS/027 **Estatutos y Ordenes Permanentes, (rev 1988).**

28 pp., precio CHF 6.00.

Informes de Congreso de la ACI

1984	28° Congreso - Hamburgo (Programa e Informes), 238 pp, precio CHF 7.00.
1984	28° Congreso - Hamburg (Existe en varias idiomas) 240 pp., precio CHF 16.50.
1988	29° Congreso- Stockholm (Programa e Informes) 156 pp., precio CHF 10.00.

Publications in French

ICAHOF/001 **L'Alliance Coopérative Internationale 1895-1970, par W.P. Watkins.**

Publié pour la célébration du 75^e anniversaire de l'ACI, cet ouvrage relate l'histoire de l'organisation depuis sa création jusqu'en 1970. L'auteur présente l'évolution de l'ACI, ses premières manifestations jusqu'à son statut actuel de la plus grande ONG mondiale reconnue par les Nations Unies. Ce livre analyse également l'ACI vis-à-vis de sa constitution, son expansion, ses méthodes de travail, sa collaboration internationale, ses développements régionaux, etc. Cette publication est primordiale pour qui souhaite connaître les origines et l'histoire de l'ACI de 1895 à 1970.

Publié en 1970, 385 pp., prix CHF 14,00.

ICAHOF/005 **Les Coopératives en l'An 2000, un ouvrage préparé à l'occasion du 27^e Congrès de l'Alliance Coopérative Internationale, Moscou, par A.F. Laidlaw.**

Ce document est divisé en 6 parties; (i) perspectives du Congrès de 1980, (ii) tendances et problèmes mondiaux, (iii) coopération, théorie ou pratique, (iv) performances et problèmes des coopératives, (v) choix pour l'avenir et (vi) issues majeures et questions cruciales. Ce livre apporte une approche internationale aux questions des coopératives de l'an 2000.

Publié en 1980, 98 pp., prix CHF 9,00.

ICAHOF/007 **Une Politique ACI de Développement Coopératif.**

Cette brochure fournit une vue d'ensemble sur la politique de l'ACI en matière de développement, l'utilisation des fonds de développement et la collaboration de l'ACI avec les agences des Nations Unies.

Publié en 1983, 28 pp., prix CHF 9,00.

ICAHOF/009 **Rapport de la Commission de l'ACI sur les Principes Coopératifs.**

Publié en 1967, 40 pp., prix CHF 6,00.

ICAHOF/010 **L'Habitat Coopératif (2^e édition révisée)**

Ce manuel vous renseigne sur la façon de créer des nouvelles coopératives d'habitation. Les aspects économiques, techniques et administratifs sont traités dans cet ouvrage.

Publié en 1987, 123 pp., prix CHF 10,00.

ICAHOF/024 **Reformulation des Principes Fondamentaux du Mouvement Coopératif.**
27 pp., prix CHF 6,00.

ICAHOF/026 **La Décennie du Développement Coopératif - 1971 - 1980**
14 pp, prix CHF 9,00.

ICAHOF/027 **Statuts et Règlement Permanent de l'ACI.**
Révisé en 1988, 28 pp., prix CHF 6,00.

ICAHOF/040 **La Coopération en Union Soviétique: La Revue de l'Economie Sociale.**
Cette collection d'essais, écrits par des experts en coopération soviétique - tous originaires de Russie - est publié fort à propos. Les auteurs discutent et décrivent les récents changements politiques, économiques et sociaux survenus dans le mouvement. Il se dégage des études, une image de la coopération soviétique pleine de paradoxes et d'anomalies. Cet important ouvrage devrait être lu par les lecteurs intéressés par les problèmes du mouvement coopératif soviétique.
Publié en 1989, 223 pp., prix CHF 25,00.

ICAHOF/105 **Miser sur l'Action à la Base - Les Coopératives dans le développement Mondial, par Bruce Thordarson, Directeur de l'ACI.**
Ce fascicule traite de la philosophie coopérative et du rôle des coopératives comme instruments de développement.
L'Institut Nord-Sud, Ottawa, 1990, bilingue Français/Anglais, 62 pp. prix CHF 15,00.

Rapports de Congrès de l'ACI

1980 27e Congrès-Moscou, 116 pp., prix CHF 12,00.
1984 28e Congrès-Hambourg (multilingue), 240 pp, prix CHF 16,50.
1984 28e Congrès-Hambourg (Sessions et rapports) 238 pp, prix CHF 7,00.
1988 29e Congrès-Stockholm (Sessions et rapports)156 pp, prix CHF 10,00.

Publications in German

ICAHOG/007 **Eine IGB-Politik für genossenschaftliche Entwicklung**

1983, 28 Seiten, preis CHF 9.00.

ICAHOG/009 **IGB Kommission für genossenschaftliche Grundsätze**

1967, 39 Seiten, preis CHF 6.00.

ICAHOG/026 **Neuformulierung der fundamentalen Grundsätze der Genossenschaftsbewegung**

1964, 28 Seiten, preis CHF 6.00.

ICAHOG/101 **Die Internationale Genossenschaftsbewegung: Vergangenheit, Gegenwart und Zukunft, A.I. Krasheninnikov.**

Dieses von einem Experten der internationalen Genossenschaftsbewegung geschriebene Buch vermittelt einen Ueberblick über die Hauptprobleme der Genossenschaften weltweit. Die Rolle des IGB von seiner Gründung bis zur Gegenwart wird vor dem Hintergrund der sozial-ökonomischen Bedingungen, historischen Entwicklungen und der Genossenschaften in kapitalistischen, sozialistischen und Entwicklungsländern analysiert. Dabei erfolgt die Bewertung der Rolle des IGB vom marxistisch-leninistischen Stappunt aus.

VdK Berlin 1984, 337 Seiten, preis CHF 20.00.

IGB-Kongressberichte

1984 28° Kongress - Hamburg (Tagesordnung und Berichte), 240 pp., preis CHF 7.00.

1984 28° Kongress - Hamburg Kongressbericht, mehrsprachig, englischer Text mit Zusammenfassungen in französischer, deutscher und spanischer Sprache, 240 pp., preis CHF 16.50.

1988 28° Kongress - Stockholm (Tagesordnung und Dokumente) 156 pp., preis CHF 10.00.

Publications in Russian

ICAHOR/007 **An ICA Policy for Co-operative Development**

1983, 28 pp., price CHF 9.00.

ICAHOR/027 **ICA Rules & Standing Orders**

Revised 1988, 25 pp., price CHF 6.00.

Videos and Slide Presentations

Videos in English

For Sale

ICAAV/001

The Wave of the Future, ICA, 1989, available in English, French, Spanish and Japanese, in PAL, SECAM and NTSC versions, 17 mins., CHF 50.00.

The future role of the co-operative movement is discussed in this video. Leading personalities, active in the co-operative movement give their opinion on ways of securing the growth of the co-operative movement. The role of the movement in developing countries and at international level is also discussed.

ICAAV/002

ICA Slide Show - 1990, 77 slides with narrative, 20 mins, CHF 85.00.

This slide show is an excellent introduction to the co-operative movement and the ICA and could be a useful tool in education. It traces the history from the inception of the ideals of co-operation in Rochdale, at the time of the industrial revolution, to the present day. It depicts the work of successful national movements in the west and co-operative development work which is being successfully undertaken in Third World countries. The structure of the ICA, the international body uniting the worldwide co-operative movement, is explained in detail.

For Loan

ICAAAC/011

Inscoop and the Portuguese Co-operative Movement, PAL, 18 mins.

An informative and illustrative video about co-operatives in Portugal, this film presents the co-operative movement and its wide range of activities in different areas of Portuguese Society today.

ICAAAC/012

How to Become an Effective Board Member, 1991, PAL 36 mins.

This video, produced by Folke Dubell and Bernard Kadasia of ICA Regional Office in Moshi is a compliment to the book of the same title. The film focuses on the duties and responsibilities of board members and it presents suggestions on how they can improve their effectiveness.

ICAAV/013

The Co-op Group in Switzerland - A Brief Portrait, 1991, PAL, 25 mins.

The film presents the co-op stores and warehouses in Switzerland. The co-op network of factories, production and distribution facilities, etc. are also shown, reflecting the multiplicity of the co-op group activities in Switzerland.

ICAAV/014

Nora Herlihy (1910-1988) Irish Credit Union Movement, 1989, PAL, 31 mins.

A film about Nora Herlihy, the woman who started and developed the credit union movement in Ireland. A video of interest for Irish and British members and for those interested in starting up a credit union.

- ICAAV/015 **Credit Union and You, Irish Credit Unions, 1986, PAL, 22 mins.**
This video, by the Irish League of Credit Unions, shows how the credit union works in different levels of the Irish society, focusing on the support of the credit union to a wide variety of small scale projects.
- ICAAV/016 **Strength in Numbers, Canadian Co-operative Association , 1990, NTSC, 29 mins.**
Launched by the Canadian Co-operative Association's Development Education Unit., and written and directed by George Mully, this video uses Philippine examples to examine some of the universal elements of poverty and shows how it is being alleviated by rural and urban co-operatives.
- ICAAV/017 **Consumer Co-ops today in USSR, by Centrosoyus, 1989, PAL, 15 mins.**
An overview of the consumer co-operatives in Russia today with information on co-op shops, trading centres and their products, and own brand industrial facilities.
- ICAAV/018 **Self-management in a Competitive World: The Limited Workers' Company, The Basque Country, Spain, PAL, 11 mins.**
- ICAAV/019 **Herringintzan - The Background and Development of the Basque Co-operative Movement, Spain, PAL, 20 mins.**
- ICAAV/020 **Co-operative Exhibition, Nairobi, 1990, PAL/SECAM, 25 mins.**
In this film on the 3rd ICA African Co-operative Conference, 14-19 May,1990, we meet visitors to the conference and the exhibition of regional handicrafts.
- ICAAV/021 **Co-operation Equals Strength, NCBA, USA, NTSC, 10 mins.**
- ICAAV/022 **Prosperity through Co-operation, The Co-operative Movement in Finland, 1990, PAL, 15 mins.**
- ICAAV/023 **Documentary - Antigua, Guatemala, ICA-ROCAC,1990, NTSC, 15 mins.**
- ICAAV/024 **Housing Co-ops - The Liverpool Pioneers, UK, 1983, PAL, 20 mins.**
- ICAAV/025 **Power to the People - Housing in Liverpool, UK, 1986 BBC, PAL, 25 mins.**
- ICAAV/026 **For Peace and a Better Life Co-op, Japanese Consumer Co-ops, JCCU, PAL, 16 mins.**
- ICAAV/027 **Teens Co-ops, CRS UK, PAL, 14 mins.**
- ICAAV/028 **The Network that Works, Canada's Credit Unions, 1988, NTSC,13 mins.**
- ICAAV/029 **Co-ops Work - A look at some Irish co-ops at work, 1987, PAL, 20 mins.**

Videos in Spanish

For Sale

ICAAVS/001

La Ola del Futuro, ACI, 17 mins. 30 sec., PAL/NTSC, CHF 50.00

El papel para el futuro del movimiento cooperativo viene discutido en este video. Personalidades principales, activas en el movimiento cooperativo expresan sus opiniones sobre cómo asegurar la expansión del movimiento cooperativo. También viene discutido el papel del movimiento en países en vía de desarrollo cómo al nivel internacional.

For Loan

ICAAVS/011

Hospital de Barcelona, por SCIAS, Espana, 1990, PAL, 16 mins.

Un video sobre un hospital cooperativo moderno en Barcelona y sus capacidades avanzadas en materia técnica. Se comenta sobre las diferentes salas del hospital y del equipo.

ICAAVS/012

Alimentación/Nutrición, por Eroski, Espana, PAL, 21 mins.

Los siguientes temas : una alimentación sana, una variedad de productos naturales, higiene, y su importancia para niños y adultos están analizados en este video. El proceso de cómo hacer conservas en latas está ilustrado. Una énfasis está puesta sobre la importancia de la educación sobre el tema de la alimentación en las escuelas.

ICAAVS/013

Publlyitatea, Publicidad, por Eroski, Espana, PAL, 43 mins.

Un video que trata el tema de información y publicidad en relación con diversos grupos de personas. Un examen de cómo enseñar a la juventud por medio de la escuela la medida de influencia que tiene la publicidad. Un video informativo sobre el tema de publicidad y sus efectos sobre el consumidor.

Videos in French

For Sale

ICAAVF/001

La Vague du Futur, ACI, PAL/SECAM, 17 mins. 30 sec., CHF 50.00

L'avenir du mouvement coopératif est discuté dans cette vidéo. Des personnalités importantes du mouvement coopératif donnent leur opinion sur la manière d'assurer la croissance du mouvement coopératif. Le rôle du mouvement dans les pays en voie de développement et au niveau international est également traité dans cette vidéo.

For Loan

ICAAVF/011

Portrait du Groupe Coop en Suisse, PAL, 25 mins.

Ce film présente les magasins et entrepôts du groupe Coop en Suisse. Il nous montre également les réseaux de fabrication, de production et de distribution du groupe. Enfin, ce film nous renseigne sur la multiplicité des activités du groupe Coop en Suisse.

ICAAVF/012

CIDB Federation des coopératives d'assurances, Canada, PAL, 23 mins.

ICAAVF/013

Coopératives de travailleurs, une entreprise rentable, Canada, 1990, NTSC, 10 mins.

ICAAVF/014

"Les coopératives, un sens des affaires", Ministère de l'industrie, du commerce et de la technologie, Quebec, Canada, 1988, NTSC, 10 mins.

ICAAVF/015

"Le cap sur l'essentiel", SDID Canada, 1988, NTSC, 19 mins.

Videos in Japanese

For Sale

ICAAVJ/001

The Wave of the Future, ICA, 1989, 17 mins, NTSC, CHF 50.00.

The future role of the co-operative movement is discussed in this video. Leading personalities, active in the co-operative movement give their opinion, on ways of securing the growth of the co-operative movement. The role of the movement in developing countries and at international level is also discussed.

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This poster features the beginnings of the international co-operative movement through photos of co-operative pioneers and pioneering documents, Sepia tones, 31" x 54", price CHF 10.00.
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Size and strength

1990 was another successful business year for the Volksfürsorge organization. Income from insurance premiums was up to DM 4 billion and total capital investment now exceeds DM 27 billion.

Suffice it to mention a few figures to illustrate the potential for growth in the Volksfürsorge group. The total of all life assurance policies taken out with the Volksfürsorge Deutsche

Lebensversicherung AG is approaching DM 100 billion. As of the end of 1990 income from premiums was very close to DM 3 billion.

The DM 1 billion mark for income from premiums is fast becoming a real prospect for the Volksfürsorge Deutsche Sachversicherung AG as well. The bulk of the company's business has traditionally been with low-risk private clients.

The Volksfürsorge group, headed by Volksfürsorge Holding AG, includes the Volksfürsorge Deutsche Lebensversicherung AG and the Volksfürsorge Deutsche Sachversicherung AG. The Volksfürsorge Deutsche Sachversicherung AG has a 50% stake in each of AdvoCard Rechtsschutzversicherung AG and Volksfürsorge Krankenversicherung AG. Over and above this, it owns shares in the Italian insurance company Unipol S.p.A., Bologna.

In August 1990, the Volksfürsorge Deutsche Lebensversicherung AG obtained about one third of the shares in the Badenia Bausparkasse AG, making it the fourth biggest building and loan association in Germany. This involvement is particularly remarkable from the viewpoint of marketing strategy and reinforces contacts with a company enjoying a leading reputation in the field.

The property assets of the Volksfürsorge insurance group have a book value of over DM 2 billion and are held almost entirely in five real estate companies. The companies are based in Hamburg, Frankfurt and Stuttgart and are run as profit centres on a regional footing.

Today the Volksfürsorge group is:

- * one of the biggest life insurance companies in Germany with about 5.5 million policyholders;
- * the second biggest household and personal effects insurer with 1.3 million policies;
- * the second biggest personal liability insurer with 1.1 million clients;
- * a major vehicle and accident insurer with some 1.6 million policies;
- * an organization offering highly competitive insurance against legal expenses and serving 2.6 million people;
- * one of the insurers of residential property with about 170,000 policies.

In the light of these facts it is not surprising that the Volksfürsorge organization is a familiar name known to nine out of every ten people in Germany.

This offers enormous business opportunities for continued expansion in the future. A strong customer potential and consistent attention to the prestige Volksfürsorge enjoys are the key to stabilizing the company's share of the market and winning new customers.

For all its size, the Volksfürsorge group lays emphasis above all on three things:

- * insurance cover to meet the specific needs of its clients;
- * capable, well-motivated staff;
- * appropriate returns on capital for shareholders.



Good customer service is an important part of our policy

A unique way of keeping in touch with customers

Throughout the 78 years since it started business, the Volksfürsorge organization has employed a team of agents to maintain close contacts with its customers. Their number has now grown to some 40,000, working on both a full and part-time basis. The trained advisers at Volksfürsorge provide a comprehensive service to the general public as well as the crafts, the retail trade, industry and the service sector. They have expert knowledge of all insurance and property finance matters, offering tailor-made insurance coverage, and building and loan schemes for every occasion.

Always close at hand and enjoying the support of some 7,000 full-time office staff and agents spread throughout Germany, they provide a guarantee of above-average growth yesterday, today and tomorrow. Most of these advisers are colleagues, friends or neighbours, which helps to inspire confidence. Over and above this, the Volksfürsorge now has a large number of insurance brokers and general agents at its disposal.

In early 1990 the Volksfürsorge group re-established its presence throughout Germany. The "re" is well chosen, since up to 1945 it was among the leading insurance companies in the eastern part of the country too, with 40 branches and over 2 million clients.

It has been able to build on existing confidence and had the advantage of optimum conditions right from the outset. In the very first year after commencing regular business on 1 July 1990 the Volksfürsorge had managed to win an impressive number of new customers. It was the perfect return to familiar territory, with about 30 branches and information bureaux on the spot as well as 400 full-time and 5000 part-time agents covering the eastern part of Germany.

Activities in Eastern Germany are coordinated through a separate marketing company. The Volksfürsorge Deutsche Versicherungsvertretung GmbH, based in Dresden, was established in April 1990 with this purpose in mind. A broad range of activities is open to the company's employees, since individual insurance requirements are as apparent in Eastern Germany as they are in the original Federal Republic. There is a great deal of ground to make up, and therefore ample growth potential, particularly in life insurance as a personal supplement to financial security in retirement, and also in property, third-party, accident, vehicle and legal expenses insurance.

A record of success

It can be said without fear of exaggeration that the record of the Volksfürsorge organization over a period of almost 80 years has been one of success. The company has been on hand to lend concrete assistance on more than one occasion when a construction effort was required or previous damage needed to be rectified, be it to provide a better financial basis in old age or to cover the risks accompanying the newly won independence in the context of a free market economy. Over and above this, the Volksfürsorge group can look back with pride on its achievements in the field of social welfare.

Armed with its philosophy of putting people - be they customers or employees - first, the company is ideally prepared to meet the challenges ahead. It is a partner to be relied on when it comes to ensuring that not only the people in Western Germany but also those facing new horizons in the east are equipped with the confidence which comes from an adequate level of insurance cover. This constitutes a major business opportunity and a significant challenge for the future.

For more information, please contact:

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Need for Action

by Christian Bauer*

With the unification of Germany, the legislation applying in the original Federal Republic in the field of building and housing management became valid in the new states as well. A large number of companies are beginning to adapt to the new legal stipulations and the new broader economic context they are facing. Some of them, together with the organizations that will be responsible for local housing management in future, have worked out initial ideas for a structure meeting the requirements of a market economy.



Example of a housing co-op in Dortmund - an excellent atmosphere for children

Present situation

Due to extremely limited revenue from rents, the upkeep of property in the territory of the former German Democratic Republic is only possible with massive government subsidies. The

proposed rent reform must be aimed at bringing about a situation where income from property is sufficient to meet the costs of its upkeep.

However, it is clear that it will not be possible, in the short term, to cover ensuing costs with rent payments, since the rent explosion would inevitably lead to unbearable strains on people's welfare and concomitant social tensions.

* Christian Bauer is Chief Editor of the housing publication "Die Wohnungswirtschaft". This article is a condensed translation of the article "Handlungsbedarf" which appeared in issue number 2/91 of "Die Wohnungswirtschaft".

Bearing this in mind, it is pointless even to examine here whether administration costs incurred by the former housing management organizations, in terms both of material and personnel, can be covered in the long run by revenue from rents. Even a consideration of whether the respective shareholders would be prepared to pay the portion of the administration costs not covered by rents has to be regarded as very risky speculation.

In future, priority will be attached to targeting specific groups (those on low incomes, senior citizens in purpose-built housing, etc.), which will lead to diversification on the housing market. Therefore, rent allowances will play a major role in what used to be the GDR.

The analysis of the structural organization and flows, as well as computer systems at the housing management organizations examined, clearly shows that there is a need for strategic objectives and to adjust the number of staff to requirements. The present situation also calls for a modification of organizational structures in addition to a modern approach to data and information processing, and communication.

Current revenue

The current revenue of the housing management organizations only covers about 30 percent of the expenditure on management, administration, maintenance, repair, etc. Over and above this, only about 20 percent of heating and water supply costs are paid for by rents. The envisaged rent reform should gradually create the financial conditions for the housing

stock to be managed at least on a break-even basis, taking account of maintenance, modernization and administration, besides making sufficient funds available for new development.

The rent reform will require several stages over a considerable period of time to attain the objectives outlined above.

Comparative revenues

Rents vary according to the standard of comfort and age of housing. They range between DM 0.35 per square metre for older property and DM 1.80 per square metre for new buildings with all mod cons. The following figures were used to achieve an approximate comparison between the current revenue from rents in the former GDR and the revenue from rents accruing to a West German housing management company:

- * average rent (excluding heating and hot water) in Western Germany - DM 6.33 per square metre;
- * average rent (excluding heating and hot water) in Eastern Germany - DM 0.35 to DM 1.25 per square metre.

If we assume that an average housing management organization will have an average of 65 percent new and 35 percent old housing stock in its control, an average of DM 0.95 per square metre for 10,000 dwellings of 55 square metres each (GDR average) produces revenue of about DM 6.3 million per annum. A West German housing management organization would receive some DM 41.8 million annually for

the same number of dwellings with an average size of 55 square metres (West German average is actually 86 square metres).

This comparison provides a rough guide to the desired rent revenue to be achieved by the rent reform. East German service and energy prices must also quickly reach the same level as the rest of the country, and personnel and material costs cut, if viability is to be achieved without having to rely on state subsidies.

Basic considerations

The Unification Treaty did not touch on the subject of subsidies which means there is no guarantee of subsidies being paid in 1991 and subsequent years. At present there is no bill proposed to settle the issue, but it is clear that rents in the former GDR will not rise adequately to cover the costs faced by the owners of residential property in the immediate future.

While this situation is extremely unsatisfactory as far as the local housing organizations are concerned, they will not be threatened as the shortfall in revenue will be made up by a "loss compensation payment" made by the shareholder and included in the local government budget. In the case of other owners (e.g. members of a cooperative) it means that they have to finance the shortfall from their own pockets.

Seen from an overall political perspective, it is impossible to sustain a situation where the shortfall in management costs is financed through a loss compensation payment from the pub-

lic purse or the owners of rented accommodation.

Plans to rectify the situation by the Federal Ministry of Urban Development and Regional Planning are based on the premise that verifiable management costs are passed on to tenants under Calculation Ordinance II. Considerations are also in the pipeline for standard payments to be made from the public purse as compensation for the administration and maintenance costs incurred by owners. The cost of interest could be kept within certain limits by further exemptions from interest payments within the "bounds of feasibility" since mainly public funds are involved. Stipulations on depreciation and interest on equity will be the subject of a long-term settlement.

Need for reorganization

The factors described above imply a need for reorganization of commercial housing management, which is considerably amplified by the fact that subsidies only cover a portion of the management costs and do not extend to such areas as house-building, sale of residential property, etc. However, if the housing organizations limit themselves to housing management alone, this would greatly undermine housing services - hence the need to find other direct sources of income.

The selling of residential property to make up for shortfall in revenue is only feasible as an emergency solution. However, the sale of residential property can be a perfectly reasonable option when it comes to encouraging

owner occupation. It is also quite imaginable for a local housing organization to buy and sell residential property with a view to optimising the housing stock in its possession.

Workforce size

The need for the housing organizations to reduce personnel and material costs is based on the premise that, after a transitional period, the housing organizations must be in a position to provide the same management services for the property under their administration as a comparable West German housing venture.

The assumption that the West German level of earnings will be reached in 1994 is supported by the recent wage settlements in the housing management sector in Eastern Germany.

A comparison of personnel costs in housing organizations in the two parts of the country shows that, despite what are still very low personnel costs per active member of staff, by the end of 1991 the East German housing organizations can expect to be facing personnel costs on a similar scale to their counterparts in Western Germany. It is this trend which underlines the urgent need for action by the housing organization with regard to an adjustment in staff strength.

The need for action will increase if revenue does not increase from services associated with the construction of new residential property (e.g. architects' fees, payment for administrative services, etc.) and sales (risk premiums, etc.). If these sources of revenue fail to materialize, the need for an

adjustment in staff strength will be greater.

Structural setup

The need for action by the former local housing organizations goes beyond staff and cost adjustments. Further steps are required with regard to the organizational structures.

The prevalent structures to be found in the housing organizations in the former GDR are the result of them having been state-owned companies in the context of a planned economy. Parts of the current structures, such as the entire departments concerned with economic matters, lack any justification in a market economy. A broad-based structural reform is required with a view to winding up or reorganizing various departments.

Additionally, activities such as express repairs, work carried out by teams of tradesmen and services foreign to a housing organization (removal, children's holiday camps and other social provisions) should be examined to see if they can be maintained economically according to the criteria typically applied in a market economy.

Achieving objectives

The following conditions need to be satisfied if the organization is to meet its business objectives:

- * Adaptation of company organization in line with microeconomic and social criteria;
- * Revaluation of the land built up with residential and commercial premises and subject to the legal

title of the housing management organization;

- * Establishment of the encumbrances existing on land and buildings;
- * Confirmation of assessments by the competent authority;
- * Transfer of the land and buildings to which the housing organization holds legal title to the ownership of the new company, and exemption of these transfer deals from conveyance duty;
- * To prevent debts mounting up excessively or the new limited liability companies becoming insolvent, all non-covered charges should be compensated through payments from the public purse until such a time as they can be run as going concerns.

Organizational charts

There is a need to develop new organizational charts which must satisfy the following major requirements:

- * An organizational chart must take into account the existing organizational setup, including the experience staff have already accrued. However, it must be ensured that changes in work flows and jobs are geared to the requirements of a market economy and the company concerned;
- * Modifications to the organizational chart must be designed to raise staff motivation;
- * An organizational chart must be adaptable. Only an appropriate organizational structure guarantees the attainment of specific results.

Therefore, when corporate objectives are altered the organizational structures must quickly be brought into conformity;

- * An organizational chart must bear the organization's objective in mind throughout. The dominant factor must be to ensure that all staff work towards the same objectives and support each other.

Initial effects of the recommended structural adaptation are becoming apparent:

Concentration on the new areas and rigorous organization are helping to reduce fragmentation of work and to make managerial work simpler;

The merger of the economics and chief accounting departments to form a business management department, the abolition of certain areas of work coming under science and technology, and the redefinition of the construction engineering department, are creating the conditions necessary to properly integrate the new areas of work and to establish a structure free from the drawbacks of overcomplexity;

The need is stressed to concentrate on housing management operations in the narrower sense of the term, among other things by separating off the production and heating supply departments;

The new organizational chart takes into account current requirements and leaves sufficient scope to react to future developments in the housing management sector in general and the housing organizations in particular.

The engagement of staff in the context of the structure illustrated is conducive to maintaining know-how and to coping with operations from a more integrated angle, though for reasons of efficiency account is taken wherever possible of the existing organizational setup. The single most important change, however, might be expected to be the splitting of the organization into housing management, business management and construction engineering divisions. This allows efforts to be concentrated on housing management.

It should be pointed out that a change in the organizational structure is not in itself sufficient. A broad-based staff training programme is also required in order to make up for existing shortcomings.

Company structure

The following measures should be initiated to put the proposed organizational chart into practice:

- * Establishment of priorities and stipulation of a multi-stage plan;
- * Cessation of activities which may be abandoned according to the criteria applicable to a market economy;
- * Redefinition of areas of work which are not yet in existence but will be required in the future;
- * Elaboration of a new staffing plan and job descriptions;
- * Elaboration of a staff strategy, including a comprehensive training programme to ensure that all posts are filled by staff capable of carrying out their duties correctly.

In preparation for these programmes and the attendant specific measures, detailed account must be taken of qualification levels in the staff strategy. The only way to achieve efficient adaptation to the organizational chart and ensure highly qualified staff are optimally placed is to draw up a comparison between areas of work to be established and strengthened, on the one hand, and staff qualifications, on the other. Only if a member of staff is placed in a post that corresponds with his own abilities and inclinations will he, in the long run, not only meet the requirements but also work with a sense of interest and motivation in the interests of the company as a whole.

Conclusion

The local housing organizations currently retain the features associated with centrally defined structures under a planned economy. The organizational structures are very diffuse and the work flows are marked by excessive fragmentation. Housing management is often decentralized to a large extent. In many cases activities continue to be pursued for which there is no commercial need. Whole new areas of work will have to be built up as the companies are brought into line with the requirements of a market economy.

The lines of development outlined provide for cost adjustments to be made over a period of four years. But it seems feasible at the moment that the adjustment could be speeded up provided rapid headway is made in developing the broader market conditions.

Co-operation is Creating Peace

A Successful Co-operative Solidarity Project

by Dr. Claus Jürgen Hachmann*

The "Ludwig Frank" project in Mannheim could serve as a model for many parts of the world. It is an approach to solving housing and cultural problems through pooling of forces in a co-operative way.

Born out of need

When the housing co-operative, "Ludwig Frank", took over the housing estate in Mannheim from the communal housing association, it was in a very bad state. As it had been scheduled for demolition, no investment had been made in the estate for many years and more than a hundred apartments out of the 401 housing units were left vacant. The buildings were neglected and because of this the estate had gained a bad reputation over the years.

Under pressure of losing the housing units after the demolition of the buildings, the tenants' council decided to fight the demolition order. Gradually the decision to form a co-operative became more and more concrete and the bye-laws of the newly founded housing co-operative "Ludwig Frank"



were signed by the 53 participants, and a 10-member supervisory board was elected.

After some political debates the housing estate was transferred to the new housing co-operative and on 1 November 1990 the housing units were officially handed over. One hour after receiving the keys, the co-operative started to negotiate contracts with various companies for the reparation of the 109 empty housing units.

No time to lose

After signing a contract of co-operation with the city of Mannheim, the housing co-operative took on the responsibility of improving and maintaining the neglected buildings. Ur-

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Gartenstadt-Genossenschaft in Mannheim

gent repair work and other priorities such as the installation of sanitary equipment were carried out immediately in order to offer the 109 empty units to families on the waiting list, with the most urgent cases being given priority.

The city gave approximately 5 million DM to cover the most urgent repairs. Under the agreement between the city and the housing co-operative, half of the housing stock can be offered to existing members and the remaining 50 percent can be occupied by candidates proposed by the city, in which case the co-operative is entitled to choose among three candidates. This guarantees the interests of the co-operative are respected.

Involving the members

Only a couple of months after the foundation of the co-operative, nearly 300 members were registered. As many of the members are Turkish families, the Mayor of Greater Ankara, Mr. Murat Karayalçin, who is head of Kent Koop, the successful Turkish housing co-operative movement, came to Mannheim to talk to his compatriots in order to convince them of the co-operative ideas. His mission met with great success.

Member involvement will be further encouraged through a community centre and a former shop which sold drinks has been converted by the co-operative into a cultural centre for the inhabitants.

Co-operation is the key

Europe is to become a political union according to the objectives of the political leaders of EC members states. Therefore, the free movement of people living in the community will cause more cultural and social exchanges between different nationalities. The co-operative principle is a worldwide, successfully proven way of practicing collaboration and peace. The ICA flag can already be seen in a traditional housing co-operative "Gartenstadt-Genossenschaft" in the centre of Mannheim where it has hung since its 75th anniversary in 1985. From there the white dove of peace flew to the housing co-operative, Ludwig Frank, symbolising a positive way of co-operation among different cultures.

DESWOS - The German Development Assistance Association for Social Housing

by Werner Wilkens*

Our roots

DESWOS was established in 1969 by members of the federations of German non-profit housing associations.

Faithful to the principle that co-operatives 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 federations of non-profit housing enterprises and co-operatives decided to offer experience, technical knowledge, expertise and financial assistance through an independent organization.

At present DESWOS supports about 50 projects with an annual budget of roughly 5 million DM.

The objective of DESWOS is to provide help for self-help projects by establishing efficient non-governmental organizations.

Pre-requisites for project financing

Out of hundreds of project applications received each year, DESWOS selects those with the greatest devel-



opment impact. At the same time the projects have to qualify for public funding mainly by the Federal Ministry for Economic Co-operation or the Commission of the European Community. Without these public funders it is unlikely that the cost-intensive housing projects can be financed.

DESWOS is obliged to scrutinize all the projects carefully to ensure that bogus projects are eliminated and those that are chosen enhance the image of NGO work and make the most efficient use of funders' money.

Assistance is directed to the weaker sections of society in the developing countries which means that we try to reach a target group below the poverty line.

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

Different aspects of housing

From slum to model village - perhaps these photos don't portray all the hard work and sweat that goes into the reconstruction process but they certainly show how much life can improve for members of a self-help co-operative.



Improving inhuman housing conditions of the poor - a task for DESWOS and their local NGO partners



Self-help is an essential component for better housing - including skill formation and self-reliance



Newly formed settlement at Melapatti, Tamil Nadu, India - a breakthrough for further development activities

In addition, the target group must show positive attributes such as the ability to organize itself to bring about social and economic change. A lot of people are excluded because they have difficulty in organizing themselves even with the assistance of a catalyzing organization.

As a rule, the economic and social situation of our target groups is proven by empirical and statistical data. Results of such research are evaluated on a regular basis.

Testing the response

The ability to benefit from self-help is tested through small projects costing very little but demanding collective decision-making and common action by the target group. Larger projects are only instigated if the initial projects are successful and the target group participates actively.

The quality of the work of our partner-organizations is also a key to success. Whether a target group develops dynamically depends on the preparatory work and engagement of these organizations during the implementation of the project.

The partners, therefore, are the active propagators and catalysts of DESWOS assistance.

Compiling documentation

Experience in development work is a pre-requisite for organizations wishing to work with DESWOS; visible results in the field as well as qualified implementation of some projects are essential. The relationship with the

target group and the working philosophy of our partner organizations must be substantiated. Only organizations which include the target groups in planning, decision-making and in implementing the project will get recognition. In our experience there must also be an adequate number of staff and a balance between those responsible for administration and the fieldworkers.

Transparent structures for decision-making are essential for the projects. For DESWOS it should be clear who decides what, when, why, and how.

The same applies to financial planning and accountancy; we insist on certified accounts bearing the seal of a chartered accountant.

Apart from the accounts of the specific project we also expect that the general budget of an organization be revealed, including details of co-operation with other foreign and local donors.

Working with a difference

The employees of our partner organizations are highly motivated and work for a small remuneration. The work generally has a very strong idealistic component which partially explains the extraordinary success. Quite a number of organizations are manned by volunteers, a fact which should to be kept in mind when these organizations are evaluated by outsiders. They are not ruled by turnover and profits but are dependent on the dedication of local people.

Essentials for self-help

Assistance which does not activate the target groups and encourage the will for self-help is not true assistance but the confirmation of the deprivation felt and the acceptance of personal powerlessness. In the field of construction we see that self-help leads to new identities, especially if the participants have accepted the construction of their settlements as a real challenge and if the self-help leads to initiatives beyond the project.

Smaller projects test the will for self-help by putting people into practical situations. A step-by step approach has been very successful in this regard. Agreements are fixed with the target group and anyone who tries to escape from participation risks exclusion. The families decide their duties through elected committees which also register their contributions.

Industrial dreams and rural reality

The steel and concrete constructions of western cities are not within the reach of the poor in the developing countries. But, as a demonstration of power, they have not been without influence on the poor in the Third World, and traditional forms of architecture have been neglected, as middle and lower classes try to imitate the rich. The need to be socially accepted and to gain social prestige is often more persuasive than the real qualities of modern living and many of the advantages of traditional housing have been given up for lower quality modern housing.

The ambitions and considerations of the DESWOS target groups are initially in favour of western influenced housing, owing to pressure to conform, false urban examples and the planners' concepts. The traditional social life is rarely reflected in the planning of local architects in developing countries.

Many of the target groups are also not very critical about the choice of the building materials because they lack experience. Concrete foundations and framework and baked bricks are in high demand even though they are not the most cost efficient or suitable for the regions concerned.

Additionally, the individual family striving for better housing does not worry about considerations such as the total amount of land available for housing, the energy used in baking bricks or the country's balance sheet for energy imports.

Returning to traditions

If we view the problem from a global perspective, a number of considerations come up. If we consider the large and growing number of people without shelter, we should use less land, capital and energy for construction.

It is a very difficult task to obtain the solidarity of the privileged so as to enable others to benefit. The proposal to build simple mud houses, which require annual maintenance and a large investment of mutual help is not very popular at planning meetings. The

target groups expect a different kind of assistance, owing to false examples both from their own upper and middle classes and from abroad. As long as opinion-leaders prefer glass, steel, concrete and energy intensive construction materials, we will not be able to make a change. It is only through showing a better example that we will convince those really in need.

Global ecological crises

The ecological problems in the Third World are perceived as a global crisis. Cutting down the rain forests in the Amazon region or elsewhere affects the world climate. The desert is advancing and climatic zones are changing. Irrigation systems produce methane gas and increase the greenhouse effect. In the long run all this affects the industrialized countries as well as the developing countries. Toxic chemicals, pesticides and insecticides show their negative impact in export goods of the South which are the imports of the North. We are conscious of these problems because they endanger us.

On the other hand, very few people notice the local ecological crises that take place in many regions of the developing countries, and which are often aggravated by the type of construction pursued.

Looking ahead

DESWOS tries to follow ecologically sound settlement planning. In regions where the fertile soil has led to an intensive settlement pattern, the urban population is sometimes dense, which is not without impact on the environment. The land needed for

settlements often enters into competition with farmers' needs. In addition, new settlements are established close to older settlements because of the existing infrastructural facilities and social relationships which the new settlers wish to maintain. But we should not always construct new settlements near old ones if this leads to a decrease in fertile arable land.

Saving the trees

Another ecological problem is deforestation. We are aware of the fuel-wood crisis in the Third World. In the long run, perhaps the answer lies in the use of energy-saving cooking-stoves to reduce consumption. However, massive propagation is still needed to promote this type of stove. In addition, social government forestry schemes have not reached a scale capable of avoiding future fuel-wood crises.

Adding to the problem is the supply of wood for tile and brick-making. Whereas, traditionally, low quality wood was used, increasingly better quality wood is being employed as the demand for baked bricks is increasing. Government programmes for the poor, which promote modern types of housing, also leading to an increased demand.

Low energy - high quality

DESWOS projects in rural areas work with earth blocks or rammed earth. Some of our partners and target groups have already understood the ecological dimension of this approach and planned their projects accordingly. DESWOS is encouraging target groups to experiment with earth construction



Social empowering of the village youth: role playing helps raise consciousness about the village power structures (above)



Fighting the energy crisis: fuel saving cooking stoves are part of the housing project (below)

when constructing community-centres and other communal facilities. We want to demonstrate that the earth-construction has a similar durability to more modern construction if certain technical rules are observed.

Where is the water?

Another important solution to the use of energy resources must be found for the consumption of water. Studies have shown that the consumption of water is highest when individually supplied. Where there is no adequate system for measuring water consumption, there is no encouragement to save water. Therefore, our partners and DESWOS prefer water supply as a communal facility. Although the transport of water from some distance is quite a drudgery, mainly for women and girls, the communal water supply encourages a more conscious use of water.

A more complicated problem is the use of water in agricultural irrigation schemes. Here we find that the intensified use of bore-wells finally leads to a lowering of the water table in many regions. This is also related to deforestation, as eroded and hardened soils lead to an increased and faster flow of rain water which, in addition to washing away valuable top soil, allows less water to trickle down into the deeper soil.

In the dry season, the bore-wells have to be dug deeper and deeper leading to a shortage for those dependent on small hand pumps.

A mid-term solution can only be found if saving water becomes a priority. People should remember their old water

management technologies and return to the traditional water reservoirs, which also served as popular places for bathing, washing and watering the cattle.

Time for a change

Gradually DESWOS partners in India are showing an interest in ecological issues. Environmental disasters have led our partners to view ecology as a direct concern to them and the poor. The Bhopal disaster, the planning of large dams with massive resettlement programmes, the uncontrolled use of pesticides, and the pollution of rivers by industrial waste water are all topics repeatedly covered in Indian newspapers. A lobby of environmental groups is beginning to have an impact on political, social and environmental issues. Our construction projects and new settlements will, therefore, have an ecological orientation in future.

Our Information on DESWOS

DESWOS informs the general public on the housing situation in the Third World through its bi-monthly "DESWOS Newsletter", annual reports, project reports, photo-exhibitions, films, etc. The information is mainly in German. All these activities are carried out by a staff of nine.

Organizations interested in co-operating with DESWOS can contact our officers for the Asia, Latin America and Africa Desks. General information will be given by our public relations' officer. Organizations interested in making a project application will receive a model application proposal upon request.

A Brief History of Raiffeisen



Friedrich Wilhelm Raiffeisen (1818-1888)

The economic conditions prevalent in Germany during the end of the 18th and early part of the 19th century led to the creation of the German co-operative system. Stein-Hardenberg's agricultural reform of 1811, whilst it meant that peasants became the owners of the land on which they worked, entailed them taking out mortgages. Inexperienced in money matters, they fell prey to unscrupulous moneylenders.

The winter of 1846-47 saw crop failures and famine on a large scale. Friedrich



Franz Hermann Schulze-Delitzsch (1808-1883)

Wilhelm Raiffeisen (1818 - 1888), then a young mayor, set up a "Bread Association" to distribute cut-price bread to the poor. This was a pre-cooperative society based on benevolent assistance. Raiffeisen followed this with another charity but found that his benefactors began to suffer from "compassion fatigue" and that he did not receive enough co-operation from those whom he was attempting to help. He realised that lasting success could only be achieved through self-help, so in 1864 the benevolent society became the "Heddesdorf Thrift and Loan Society". This was the first rural co-operative.

This article was compiled by Margaret Prickett, free-lance editor/translator, from documentation provided by the Raiffeisen Organization.

Raiffeisen also formed multi-purpose co-operatives for the joint purchase of agricultural commodities, and joint marketing of produce. In 1866, he published a book, "Credit Unions as a Remedy for the Poverty of Rural and Industrial Workers and Artisans", which was a practical guide for those wishing to create similar associations, and started "founding trips" to help the spread of co-operatives. Raiffeisen recognised the need to even out money supply between different regions and created central banks to fulfil this function. He also strengthened the administrative side of the co-operatives, with the creation of the attorneyship union in 1877, to audit and advise the co-operatives. Member co-operatives could gain information about legal, tax or management matters. Raiffeisen was unanimously elected as Attorney and Secretary General of this union. The creation of this audit function is thought to be one of Raiffeisen's special merits.

At the same time, Hermann Schulze-Delitzsch (1808 - 1883) was working to improve the conditions of the urban population. Whilst living conditions needed improving for the rural population, they were no better for those in the towns. Industrialisation meant that cheap mass-produced goods became freely available. This threatened traditional crafts and small-scale industries. Schulze-Delitzsch set an aid programme in motion. Based on the principles of self-help, self-administration and self-responsibility, he set up his first "Raw Materials Association for Cabinet Makers and Cobblers". It was followed, in 1850, by the first

"Loan Association". This was the beginning of the small-scale industry co-operative organizations and people's banks.

Schulze-Delitzsch was also a major contributor to the Co-operative Act, providing ideas and preliminary work for it. When the first co-operatives began, their operations were restricted due to the lack of a legal framework. In 1869 the first Co-operative Act was passed. This was followed, in 1889, by the Reichsgesetz betreffend die Erwerbs- und Wirtschaftsgenossenschaften (Act of the Reich for the purchasing and marketing co-operatives). This Co-operative Act enabled the creation of limited liability co-operatives. It included regulations on central co-operatives and introduced compulsory auditing. The law has remained essentially unchanged. It states that the co-operatives' basic task is self-help on a local level to promote the economic activities of their members and also lays down the framework for by-laws of all co-operatives.

Over the following years the number of Raiffeisen's rural co-operatives and Schulze-Delitzsch's co-operatives for small-scale industry grew rapidly, but independently. Both rural and industrial co-operatives formed associations to provide support, advice and auditing, but they remained distinctly separate groups. By the 1960s, however, both parties realised that a merger would be a good idea since their ideals, legal basis, goals and economic development were in agreement. In 1972, the apex organization of the small-scale industry co-operatives, the German Co-operative Union, and the fed-

eration of the rural co-operatives, the German Raiffeisen Union, were merged to form one confederation, the German Co-operative and Raiffeisen Union, and three specialised Federations.

Structure of the Raiffeisen Co-operative Organization

At the primary level there are over 9,000 co-operatives, of which 5,705 are Raiffeisen commodity, processing and service co-operatives, 3,363 are People's Banks (Volsbanken) and Raiffeisen Banks, and 813 are small-scale industry goods and service co-operatives. Each of the three types of co-operative has its own business centres, which operate at regional level to fulfil the administrative needs of the primary co-operatives.

At the regional level there are 69 business centres, which are composed of 51 Raiffeisen trading centres, 3 regional banks and 13 trading centres for small-scale service co-operatives. In addition to this are the specialised regional institutions, for example the co-operative computer centres, which supplement the work of the business centres and primary co-operatives by enabling them to obtain services to which they would not otherwise have access. There are also 14 regional co-operative auditing associations and six specialised auditing associations. Under the terms of the Co-operative Act (amendment of 1934) all the co-operatives and their business centres must be affiliated to these associations, which will audit them regularly to ensure sound financial management and proper business conduct. They are also able to advise

on economic, legal and management issues, and organize training and joint advertising.

At national level, the Deutscher Genossenschafts - und Raiffeisenverband e.V. - DGRV (German Co-operative and Raiffeisen Union) acts as an apex organization for the:

DRV - Deutscher Raiffeisenverband e.V (German Raiffeisen Union)

BVR - Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (Federation of the German People's Banks and Raiffeisen Banks) and

ZENTGENO - Zentralverband der genossenschaftlichen Großhandels- und Dienstleistungsunternehmen e.V (Central Association of the Co-operative Wholesale and Service Agencies).

At national level the function of the DGRV is to act as the apex organization for all the co-operative banks, and rural and small industry commodity and service co-operatives.

The DGRV is concerned with all matters having a bearing on the organization as a whole, for example common economic, legal and tax interests. It also advises on all questions of co-operative law, co-operative auditing, training, plant management, data processing, business administration etc. and is responsible for auditing at federal level.

The DRV provides services to the rural commodity, processing and service co-operatives and also concerns itself with the credit co-operatives dealing with commodity business. They supply their agricultural members with

their agricultural needs, and collect, process and market their agricultural produce. In 1988, they had a turnover of approximately DM 71.5 thousand million (excluding VAT) and employed 135,000 people.

The BVR services the credit co-operatives, the Volksbanken and Raiffeisenbanken, which are considered as "banks" in the German banking law. Some of its tasks are to promote the development of the credit co-operative system; to represent its members' interests in dealings with legislative bodies, government ministries etc.; to advise members on law, taxation and business management and to establish, run and support training.

Zentgeno looks after the small-scale industrial commodity and service co-operatives. Its members are retailers, craftsmen, those in similar trades and members of the professions. It is concerned with technical and economic matters, labour and social legislation and the formation of labour and social policy on behalf of the co-operative wholesale trade and similar enterprises. In 1988 turnover was approximately DM 61,900 million.

Over the years changes in agricultural policy and economic conditions have affected the Raiffeisen co-operatives, which have had to adapt accordingly. Although the total number of co-operatives has been decreasing over the past decade, they have proved their efficiency and their position is strengthening. Indeed, although their numbers have been decreasing, this is mainly due to co-operatives having merged in order to benefit from economies of

scale. In 1989 the membership of the co-operatives in the DGRV stood at 13 million. Currently over 50 percent of the German agricultural turnover is accounted for by the Raiffeisen co-operatives, although it should be pointed out that this percentage varies considerably according to products and regions. The organization as a whole currently employs about 250,000 people.

Links with Developing Countries

From a very early stage the co-operative message was spread as widely as possible. Raiffeisen was a firm believer in this, and urged people worldwide to espouse the idea. Indeed, around 640,000 co-operatives now operate according to Raiffeisen principles in over 100 countries, with a membership of 292 million. The DGRV has links with many international organizations and is affiliated to the International Raiffeisen Union (IRU), which was founded in 1968 on the 150th anniversary of Raiffeisen's birth and has 82 affiliated organizations in 42 countries.

In developing countries the situation of many small farmers is comparable with that which the rural population and craftsmen experienced in Raiffeisen's day. The infrastructure of such countries is often outdated, and agricultural reform has not been accompanied by the necessary supportive measures, so the problem of subsistence farming remains. The population lacks resources, skills, counselling and technical assistance. Illiteracy also hinders development and

overpopulation is frequently a problem. Although co-operatives are not a cure-all they can go a long way towards improving the lot of the poor in developing countries.

The co-operative movement in such countries often lacks the strength and infrastructure necessary to develop on its own. Where this is the case, countries with a well-developed co-operative system can help by providing training, advice, capital etc.

Frequently, the governments of developing countries are aware of the relevance of the co-operative movement to their nations' evolution and well-disposed to promoting it. However, private initiative is often lacking, so the State has to step in to start the ball rolling.

Nevertheless, over the years it has been shown that successful co-operatives can be started both without and with State aid. Co-operatives need governments' assistance, but not interference. The same may be said of any help offered by co-operatives from the "developed" countries.

External assistance may be necessary to create the structure necessary for the establishment of a successful co-operative system (economics, organization, technology, motivation etc.), but self-help is only successful if local political, economic and social conditions are taken into account. Development aims must be set by the developing countries themselves, since they build on their cultures and traditions.

According to Article 1 of its Statutes, the International Raiffeisen Union has the objective of "cultivating the ideas of F. W. Raiffeisen, of propagating them openly as far as possible and of promoting their realization internationally with all the means at its disposal".

The IRU provides seminars for co-operative managers from developing countries. These take place not only in Europe but also in other continents, and provide exchange of experiences, so the International Raiffeisen Union can learn about the countries in which it is trying to help. This is seen as its contribution to international co-operative solidarity. As well as the seminars, the IRU members organize training programmes and send staff to developing countries to train co-operators in their native countries.

Summary

Co-operative principles have not changed over the years, nor has the need for co-operatives. Although people's circumstances have improved in many countries, a market dominated by a few large suppliers and increasingly concentrated demand means that joint economic activity is still vital.

The rural and manufacturing co-operatives and credit co-operatives in the FRG have succeeded in expanding and consolidating their position within the market economy. Indeed, figures published for the FRG, shortly before unification, show that at that time every fifth German citizen was a member of a co-operative.

Co-operatives in Eastern and Central Europe

(Resumés of two of the presentations to be made at the ICA Central Committee Meeting in Berlin)

Finance and Agriculture-Poland and its relevance to other countries

by Lorenz Pohlmeier*

The first co-operatives in Poland were established in the middle of the 19th century. Between the two world wars, many new and different types of co-operatives developed and flourished. After 1945, the State became involved in existing co-operatives, and initiated the establishment of both new co-operatives and different types of co-operatives, all subject to varying degrees of state control.

The co-operative movement now consists of about 15,000 primary co-operatives (about 7,000 in urban and 8,000 in rural areas), and thousands of co-operative enterprises which were previously controlled by secondary and tertiary co-operatives (co-operative unions).

Government envisages co-operatives as an integral part of the private sector in the future, especially in agriculture.

* Lorenz Pohlmeier works with the Eastern and Central European Department of the World Bank.



This requires a major restructuring of the co-operative sector, involving liquidation of non-viable co-operatives, a change to some non-cooperative form of ownership of others, and the transformation to "genuine" co-operatives of the remaining units. A World Bank project, co-financed by the European Community, has begun to support the transformation process of existing co-operatives, facilitate the formation of new ones, assist primary co-operatives in establishing a service and apex structure, and support Government in developing a conducive environ-

ment (e.g., revised co-operative legislation) for the development of genuine and efficient co-operatives.

The sub-sectors of rural co-operatives (RCs), most important for agricultural and rural development, and therefore for co-operative restructuring, include:

Marketing (PSA), Dairy (DCs), Horticulture (Cs), and Rural Finance (CBs).

Criteria for determining priority sub-sectors for co-operative restructuring relate to the extent that co-operatives:

(i) provide essential services to agriculture and rural areas; (ii) are either the dominant (CBs, DCs), or important actors (PSA) in their respective sub-sectors; and (iii) have substantial potential for becoming fully member-controlled as well as sustainable and efficient organisations.

RCs have an extensive institutional network in sub-sectors crucial for agricultural development. To the extent that co-operatives have the commitment and capacity to adjust to market conditions, transform into member-controlled and user-oriented organizations, and improve operations, their institutional network offers an excellent opportunity to contribute significantly to the privatisation of agriculture in upstream and downstream sectors.

However, RCs are presently facing the enormous task of transforming and adjusting to the new economic environment, market conditions, and member demands without any guidance or support. While awaiting the emergence of the new service and apex structure, primary co-operatives in priority sectors need to be supported

by an interim structure providing services relevant to the transformation and adjustment process. These interim structures, the Co-operative Development Unit (CDU) and the Regional Co-operative Service Units (RCSUs), would be provided by the project.

There are three main types of support needed by RCs. First effective strategies for generating member loyalty and commitment through meaningful participation and involvement need to be developed and implemented, while focussing co-operative services on member needs. Second, managerial, financial, organisational, and technical skills and expertise need to be strengthened in order to re-organise co-operative enterprises and to improve their efficiency. Third, RCs require support to participate effectively in efforts aimed at restructuring the sub-sectors they are operating in. Services relevant to these three areas in need of support would be provided by the project.

The paper will present a brief evaluation on the relevance of the Polish experience to other countries in Eastern and Central Europe. In this context the paper will discuss, (i) the cases of those countries where production co-operatives dominate the rural sector, together with (ii), a plural assessment of the potential to establishing service co-operatives (e.g. for rural finance, marketing of agricultural produce, and agro-processing). Finally, the paper will present an outline of proposed World Bank activities related to financial and agricultural co-operatives in the region.

Co-operative Policy and Legislation

by Jürgen Von Muralt

I Economies in transition:

- 1. Challenges for co-operatives in a market economy**
 - place and role of co-operatives in comparison to state enterprises and the private commercial sector.
- 2. Privatisation and co-operatives**
 - problems of former co-operative property, joint ownership, co-operative enterprises versus member enterprises.
- 3. Practices and limits of co-op action**
 - co-operative production or services, question of capital accumulation, service instead of profit.



II The legal framework for co-operative development:

- 1. Restoring legality - co-operative principles**
- 2. Legislative action in different countries**
- 3. Main legal issues:**
 - Membership and staff,
 - Capital formation,
 - Co-operative property,
 - Distribution of surplus, reserve and investment,
 - Liquidation and devolution of assets.

III Co-operative entrepreneurship and training:

- 1. Creating a favourable climate**
 - Conditions for co-operative development, the right to self-administration, the role of government, taxation etc.

* Jürgen Von Muralt is Director of the Enterprise and Co-operative Development Department of the International Labour Office.

2. Training of managers

- the role of co-operative managers and staff,
- who is the entrepreneur?
- where to get the required skills.

3. The role of the members and their education

- co-operative: an association of people.

IV International support

- the international co-operative solidarity
 - help across borders
 - movement to movement assistance and international organizations.
-

Strategic Planning in ROECSA

by B. Kadasia and F. Dubell*



Can co-op organizations in developing countries benefit?

Strategic Planning (STP) is a child of the 70s and early 80s. Many co-operative organizations in the industrialised countries have discovered the value of STP. It is now also being discovered by co-operatives in the developing countries.

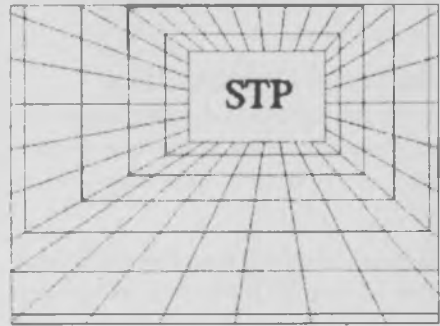
In this article we shall talk about our experiences of STP in East, Central and Southern Africa. But first a few words about the co-operatives and the environment in which they operate.

* Bernard Kadasia is acting Regional Director and Folke Dubell is Human Resources Development Project Manager for the ICA Regional Office in Moshi, Tanzania.

Co-op environment

Until recently, co-operatives in this region have operated in a controlled environment. The governments have generally maintained a strong influence. There are new signs that this is beginning to change. Many countries are liberalising their economic policies and taking steps to become more democratic, e.g. by accepting the demand for more than one political party.

The co-operatives we have worked with on STP are our member organizations. They are all national apex organizations or federations. Many of them are big with hundreds of employees and, in one case, Zambia Co-operative Federation, 2000 employees. They often have a dual role, being



How can co-operatives in this region reach the objective of self-reliance? Many roads seem to lead nowhere. STP can get them there; it helps them to clarify the direction and to get the perspective right

representative as well as business organizations. Their main line of business is in the field of agriculture. Their turnover ranges from US\$2 - 30 million per year. Most of them are in serious financial difficulties.

What is STP?

STP is a planning process that aims at clarifying the products or services a co-operative organization shall provide, the markets it shall serve and the forms of marketing it shall use.

In addition, STP seeks to reveal what development options a co-operative organization has. It covers a period of five years and provides a 10-15 year perspective. A Strategic Plan is a basic plan on which functional and operational plans are based. STP is a structured process comprising a number of steps that have to be carried out.

Steps in STP

The method we use consists of eight steps. In brief, these are:

Internal analysis; to find out the strong and weak points of the organization;

External analysis; to understand and clarify threats and opportunities in the environment;

Mapping the present strategy; to establish what are the present products and services, the users and the forms of marketing;

Strategy analysis; to find out how effective the present strategy is;

Strategy formulation; to specify what products and services a co-op organization shall handle; to whom it shall provide them and how;

Identify consequences; to know exactly what the proposed strategy will lead to, e.g. in terms of capital, investments, human resources etc.;

Assessing the consequences; are they acceptable?

Formulate goals; to sharpen the mission statement, formulate specific goals and objectives, and set targets.

Once these steps have been carried out they provide sufficient data and material for the formulation of a sound Strategic Plan.

What an STP looks like

The Strategic Plan is divided into various chapters. The steps mentioned above become the headings of the respective chapters.

Internal and external analyses are done on pre-designed forms and in our case we have included these forms as part of the Strategic Plan. The **present strategy** is presented as a matrix. In **strategic analysis** we analyse the strategic position of a product or service. This is done against four parameters and the results are graphically shown in the form of strategic rectangles. In **strategic formulation** we again use the matrix to present the future products/services and markets/users. When it comes to the **identification of consequences** the main outcome is an Economic Plan.

We have spent 6-8 weeks on each Strategic Plan, all of which have had about 60-70 pages each. However, a Strategic Plan can take other forms, too. It all depends on the needs and requirements of the users. In our case, the plans are meant to be working documents (road maps) for the chief executives and top management.

Experience from the region

Why did we introduce STP? The basic reason was to respond to the ICA policy on strengthening member organizations. The Regional Office undertook a number of activities to this end. STP was one of them. We started

in 1988 by researching various methods of STP and finally decided in favour of the one that we are using now. It was adapted to suit the needs of the region and a manual was produced.

The method was tested in Kenya in early 1989. A few months later a seminar was held in Lusaka, Zambia, for chief executives and heads of planning. In addition to Kenya we have now used this method for the Regional Office itself (1989), Swaziland and Zambia (1990), and in Lesotho (1991).

STP is here to stay. It has become an accepted management tool. The effects of STP at the Regional Office are visible. The method is effective and brings out a range of issues of strategic importance; it is creative and generates new ideas. As a large number of employees take part in STP, their awareness and understanding of their organization increases substantially. They acquire a new vocabulary which they use for analysing their organization and its environment. In short, STP enhances the quality of planning.

However, it is too early to say anything definite as to the overall impact of STP on the member organizations. It will still take a couple of years to see the full effects. STP is no panacea. It is a helpful tool that can give new life, energy and direction to an ailing co-operative. For the viable organization STP ensures that it can sustain and enhance its viability, particularly if it is combined with strategic management and leadership. Thus, from our experience we conclude that co-operative organizations in developing countries can benefit a lot from STP.

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*Front cover: 15, rte des Morillons, 1218 Geneva,
location of ICA Secretariat*

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A Message from the International Co-operative Alliance to the Public Authorities in Eastern and Central Europe

The International Co-operative Alliance, representing two hundred national and international co-operative organisations from around the world, discussed at its annual meeting in Berlin on 18 October, 1991, the situation of co-operatives in the Eastern and Central European countries.

The vast majority of ICA members come from countries with market economies. In these countries co-operatives have provided a useful form of competition to other kinds of enterprise. They have protected consumers. They have provided social services which governments would otherwise have had to offer. They have enabled family farmers to obtain inputs and market their produce. They have in many cases also demonstrated excellence in performance within a pluralist economy.

The ICA members welcome the recent political and economic changes in Eastern and Central Europe, which now allow co-operatives to operate freely in similar market conditions. But they are very concerned that old images and perceptions might prevent the newly-reorganised co-operatives from having an equal opportunity to operate and compete.

One of the major needs of co-operatives in the region is management training in the techniques of a market economy. The majority of ICA members in the OECD countries are prepared to offer such support, and in many cases have already introduced these programmes.

New co-operative and transformation legislation is now pending in many countries of the region. We believe that it must emphasise the responsibility of co-operative members to make decisions regarding co-operative issues, including the key question of property. The errors of the past-- control from outside--should not be repeated in a new form.

Similarly, we believe that co-operatives in the region should have equal access to development funding provided by such organizations as the European Commission and the European Bank for Reconstruction and Development.

The reintroduction of freedom to Eastern and Central Europe is an historic and welcome development. The members of the International Co-operative Alliance hope that their colleagues in this region will also have the freedom to determine their own future in the best interests of their members.

Agreed by the ICA Central Committee, and on the request of its Executive Committee, in Berlin on 18 October, 1991.

President's Opening Address



In my report to the Central Committee this year I shall concentrate on four developments in the world: the events in Eastern and Central Europe, the growth of multinational markets, the widening of the economic gap between North and South and finally the worldwide mass migration caused by poverty and unemployment. All four sets of problems have a bearing on co-operatives.

Eastern and Central Europe

Berlin is a city and the Federal Republic of Germany a country with a long

and inspiring co-operative tradition. You will recall pioneers like Hermann Schultze from Delitzsch and Friedrich Wilhelm Raiffeisen as well as organizations like the GEG and Produktion.

The Union of Consumer Co-operative Societies is facing a fight for survival. After reunification placed them in a situation where immediate action was called for, the members of the VdK were forced to resort to makeshift solutions. Their fellow co-operative members around the world expect them to pool their forces again in the long term.

I've discovered that farming co-operatives in the former GDR don't belong to the ICA and never did. However, I choose to comment on this subject, nevertheless, because I think it will be of interest to ICA members in the agroindustrial sector.

Agriculture in eastern Germany is organized on a basis today entirely different to that in the western part of the country, where family farms are predominant. In eastern Germany, farms cultivating grain crops have a size of 5,000 hectares and pig farms have more than 20,000 animals and dairy farms more than 2,000 under one roof.

It is hard to imagine two so entirely different structures in one sector and the same country. A second problem is to identify the owners of these huge farms. They are the result of a process which could hardly be described as voluntary. Agricultural reforms forced small family farms to merge and farmers then acquired a high degree of specialization in what were known as agricultural co-operatives.

The result is that today we have very few farmers with the all-round knowledge needed to run a family business. In Dresden I was told that 90 percent of the workers in the co-operatives would like to carry on in the same way. They appreciate the regular working hours, and they also point to the investments made in buildings and equipment.

Their counterparts in the west find this attitude too easy. They share the view of most farmers in the ICA that private family farms have shown them-

selves to be an excellent choice by comparison with any other form of industrial farming. As outsiders, it is not our job to judge. German farmers will have to solve their own problems. What we are dealing with are changes forced on co-operative members by political decisions. The economic reforms in Eastern and Central Europe figured on the agenda at the past two meetings of ICA in New Delhi and Madrid.

We are discussing them again here in Berlin, but from a different angle. There are at least three reasons for this. We want our members who are affected to understand that they are not alone. We want all the others to be correctly informed so they can gain a proper understanding of what is happening. And above all we want to send a message to all those who are in a position to help. Some members have already supported the ICA with special direct contributions of their own, but the existing contacts from movement-to-movement are paying the greatest dividends today.

The ICA itself has helped organize various seminars and meetings. It has also brought its influence to bear by appealing to governments and making visits.

My hope here and now is that our work, and particularly the experience gained from economic reforms, will benefit those who are just at the beginning of this process. The developments in the former Comecon (Council for Mutual Economic Co-operation) countries have a general relevance which should not be underestimated.

Multinational Markets

I referred in the past to the new supranational structures now emerging in all countries and perhaps most clearly of all in Europe, where 1993 is a year of crucial importance. In a formal sense, national economies will cease to exist overnight. Preparations for this have actually been under way for decades, but the question remains as to whether it will actually take place.

Many countries are currently knocking at the door in Brussels. Most of the EFTA (European Free Trade Association) countries are likely to join the Common Market in 1995. There are no barriers left. When we look at the ex-Comecon countries, the former GDR has automatically become an integral part of the European Community. Hungary, Czechoslovakia, Poland and the Baltic states are to follow. In the next century we may have a Europe which reaches as far as the Urals.

North-South Economic Gap

Similar developments have started in North and South America, in Asia and Africa, and the implications for co-operatives are obvious and exciting.

Local and national co-ops will have to pool forces with their counterparts from other countries in defence of their interests. They are likely to merge and expand on a multinational basis.

It is not my job to speculate about this future here. Only the housebuilding sector seems not to be susceptible to dramatic changes so far, but continental legislation is bound to affect working conditions here as well.

This development towards continental markets with their own political structures and geographical centres calls for co-operatives to be represented. This objective has been attained in Brussels through lobby groups for various areas where co-operatives are active. Talks have shown that the presence of the ICA might help to solve a number of problems. This refers to matters connected with the general scope of co-operative activities and necessary support in other areas.

The Executive Committee has been following these developments and would like to propose that the schedule for our meetings is changed from a global annual basis to a cycle of continental and global meetings. Our specialized organizations could decide within this structure whether a similar model would be acceptable to them. The similarities between the problems faced by neighbouring countries speak in favour of continental meetings. I can refer to the ICA regional offices and their members' councils, as well as the ministerial conferences convened and supported by the ICA in Africa and Asia.

But we have not become stuck on our ideas and we are not attempting to restrict international co-operation within the ICA. We still want to serve one world, and this remark refers particularly to the South.

In the past three years I have heard plenty of remarks from colleagues in the South about the OECD countries



The Berlin Palast Hotel was the venue for the ICA Central Committee

turning their attention away from them to support members affected by the economic reforms in Central and Eastern Europe. They point to a lack of money in the donating agencies and a redistribution of the available funds.

These fears are not without foundation, but the interpretation might be wrong. I would like to present you with a few facts. Economic growth has slowed down. Money had to be found to pay for the Gulf war. The former Comecon countries have - and I believe temporarily - reduced their development aid budgets to almost nothing.

There is currently a regrettable discussion going on about the progress of

efforts to support developments in some countries. The criticism is directed against the abuse of funds and against the emergence of a new class in a position of dependence on help from donations. Questions of human rights and democracy occur quite frequently these days, and donating organizations are less optimistic when they present parliaments with their budget proposals.

All the same I don't yet see much reason for suspicion that the North is evading its responsibility. Support for Eastern and Central Europe is in the interests of all, including the South. It is temporary and should generally be regarded as financial assistance in line with normal bank conditions. In

my work on a national and international level, I have seen that there are now better opportunities for supporting co-operatives in developing countries. But there is little reason for co-operative movements to be complacent. We should redouble our efforts with confidence.

Worldwide Mass Migration

In recent years I have come into contact with many young people in Asia, Africa and Latin America as well as the former Comecon countries. Quite a few of them are well trained, care about co-operatives and are trying to build a better world, not least for themselves. They are concerned about their families. Many of them are unemployed in the sense that they have no regular job. I remember an evening with three young architects, three foreign language teachers and an engineer. We met in Ushnaia, a small town in the south of Argentina by the Beagle canal. They told me that two thirds of all students graduating from the University of Buenos Aires were unemployed. They had come to the south to build a future for themselves and started thinking about co-operatives. But their dream was to go to Spain - maybe the following year, or the one after that. Things are better almost everywhere else. The temptation to emigrate is very great.

Early this year I attended the congress of the Canadian Co-operative Association. A programme was adopted which stresses the duty to follow an

open membership policy and accept people emigrating from other countries into the member organizations.

Any society and any co-operative is only good if it avoids excluding weak minorities at all levels.

I think you will all be ready to send the same signals. Many of us left our own countries at one time or other. Millions upon millions are going to come, fleeing for different reasons. But this is only part of the problem.

Everything must be done - by the ICA and each of us and our co-operatives - to stem emigration, which so obviously cuts off people from their culture, their friends and family. A life a long way from home is rarely crowned with the hope for better things. The ongoing emigration of the best trained and most courageous people from countries with poverty, political unrest, underdevelopment and high unemployment is a threat. There is a call for co-operative solutions at a time when local influence on the economy seems to be declining.

Maybe the time has come to send the world a co-operative message that people can still solve their own problems through self-help. Many of us are asking the basic question whether the co-operatives of the next century must inevitably be the same as those in 1895.

1995 in Manchester, the centenary of the ICA, might provide a suitable time for answering this difficult question.

Welcome to Berlin.

by Frank Dahrendorf*



When the Central Committee was invited to meet here, everyone thought it would offer an opportunity to present the co-operatives in the German Democratic Republic to members of the co-operative movement throughout the world. It is beyond doubt that one of the ideas was to depict the East German co-operatives as stable and exemplary by comparison with other movements in the West and the East. The world has changed since then.

I appreciate that this may sound to our friends in Africa, Asia and South America as if our world were entirely centred on Europe. Because in their countries rather little has changed, but

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the northern hemisphere is so preoccupied with itself, that the southern continents are in danger of being forgotten. But nobody should underestimate the fact that the end of the East-West conflict increases the chance - after a period of stabilization - of the North at last giving relations between North and South the attention they deserve. The world - or our world, to be more precise - has changed. The walls have come down in Europe.

One of the reasons for this was that a centrally controlled planned economy proved incapable of producing economic efficiency and satisfying human needs. For us in Germany this meant that in early 1990 all East Germans came to enjoy social and political freedom and, shortly afterwards, economic freedom in the shape of a free market economy.

Benefits and Disadvantage

Looking back today, roughly 18 months later, we are aware that nobody would like to do without the political freedom for it brought tangible benefits to almost everyone on a daily basis. Economic freedom, in contrast, very quickly brought disadvantages as well as advantages for a lot of people.

With its orders, regulation mechanisms and controls at the central level, a planned economy may have given rise to shortcomings in many places. But these arrangements - together with considerable subsidies, guaranteed jobs, housing, and prices, and in this way placed the individual in a position of personal economic security.

No economy can afford such guarantees in the long run. That's why a market economy does not know such security. It can only take steps to ensure that individuals who are unable to hold their own in free competition are given a hand up by the community. But the principle applies that each and every company has to stand on its own feet.

No Political Alternative

So last year this free market economy was introduced overnight in East Germany without any initial preparation. I am among those who believe there was no political alternative. But it is certain that in both East and West Germany alike, nobody fully realized the implications of the decision in favour of economic union. And that might be one of the reasons why some West Germans show a lack of understanding and impatience when they look at the massive problems facing the East German economy. Many had mistak-

enly believed it would be possible to solve them quickly.

I assume that many of you have come to Berlin with particular interest because you want to see for yourselves the consequences and problems of introducing a market economy. I can't say what lessons you will be able to learn to help with your own decision-making. What I do know is that there is hardly anywhere else a market economy and the old planned economy have collided so intensely as here. That's why we have made preparations to show all those who are interested where our problems lie here in Berlin and in East Germany and how we think we can solve them.

The Former Situation

In this presentation, I'll limit myself to giving a rough outline of our situation, taking the consumer co-operative societies as my example. In GDR, one year ago, we had over 4 million members, about 30,000 retail outlets and about 6,000 restaurants and pubs. The consumer co-operative societies accounted for over 30 percent of retail turnover in the GDR. We had our own production capacities to supply our shops and large parts of the GDR beyond them with bread and cakes, meat and meat products, pasta, flour, coffee and sweets, as well as numerous other articles from soap to furniture. We also produced many items with a solid market outside the country.

How it Looks Today

Today we still have over 4 million members, but they keep asking more insistently what point there is in staying in KONSUM because at the end of

this year we'll only have about 12,500 shops left. We're having to close a lot of shops, particularly in rural locations, because they are too small and their turnover is not sufficient for us to offer goods at the same prices our customers pay elsewhere. We have hardly any restaurants and pubs left. Our turnover will settle at somewhere between 10 and 15 percent of the eastern German total, much less than half of what it used to be. Our own production facilities are fighting for their lives against numerous West German competitors - some of them with success, and others unfortunately in vain.

Radical Changes

Like the entire economy, the consumer co-operative societies in East Germany find themselves undergoing a major process of adaptation and change. Today we know that we have the ability to survive in a market economy and, for many reasons, we feel that we do not need to copy the west German consumer co-operative societies in order to do so. However, we are changing radically.

- * There is a need for concentration through mergers between consumer co-operative societies.
- * In many fields we shall have to cooperate with west German firms to gain rapid access to the right know-how.
- * We must modernize all our shops and build others at the same time and, to finance this, we will need partners.
- * In the long run, we won't be able to keep a lot of our production units operating.

A Unique Opportunity

The consumer co-operative societies in the former GDR are in a state of upheaval, but we have come to regard this as an opportunity. We intend to preserve and increase our members' assets and to continue functioning as a stable factor in the eastern German economy.

In shops large and small, in towns and villages, we will offer our members and customers - as our forefathers might have put it - "pure, unadulterated goods at realistic prices" in a friendly environment.

We will hardly be in a position to continue paying our members a dividend on their purchases in the long run, but will continue to pay a return on their shares. We are also in the process of putting together a service package ranging from special offers and advisory services to members' clubs.

I invite you to see these and other developments first-hand here in Berlin. You will find Berlin a cosmopolitan city. And, just like any other metropolis, Berlin is a focus of problems on a political and economic level.

Finally it gives me pleasure to bring you the greetings of a great Berliner. Richard von Weizsäcker, the President of the Federal Republic of Germany, has asked me to pass on his best wishes for our meeting. And he joins us in saying:

Willkommen in Berlin!

The Future of Co-ops in United Germany

by Dr. Manfred Stolpe*



Detente in Europe

I am pleased that the International Co-operative Alliance has kept its word and is holding its meeting in our part of the country. Although when you decided back in 1988 to hold your meeting here this fine hall already existed, the German Democratic Republic was also still in existence at that time. Since then there have been some changes. You could also have gone back on your decision. But you took into account the fact that the people have stayed here and that these people have, and wish to maintain, their ties with the Alliance.

I would also like to point out that with your decision to come here to eastern Germany, at that time still the GDR, you have contributed to the process of detente in Europe. We were engaged in a long-term development process and we still are. German unity is only one part of a pan-European process of change. The pan-European process will continue and I hope it will soon have perceivable repercussions all over the world and will ultimately prove beneficial for the resolution of global problems.

The Final Act of Helsinki

This process of detente in Europe is closely connected with the Final Act of Helsinki. This Act, with its three baskets, was a sign of hope for us. Firstly,

* Dr. Stolpe, Prime Minister of Brandenburg, spoke at the opening ceremony of the Central Committee in Berlin.

it offered an opportunity to achieve military detente and security, and to reduce mistrust. Secondly, it showed ways in which states can co-operate, in a manner that transcends political and economic systems, on factual questions and environmental-protection, trade and cultural issues. Not least the Final Act also facilitated co-operation between scientific organizations.

It always was important that initiatives be taken to meet in a framework that transcended political systems. The international co-operative movement has played an important role in this process. Your decision to hold the Central Committee in East Berlin was planned in 1988 as a meeting with the co-operative societies in what was then the GDR as a contribution to detente and co-operation.

This development was of such great importance to this country because Helsinki also contained a third basket that was of tremendous significance for us, i.e. improving the human rights situation. In practical terms that meant for us more mobility and freedom to travel - crucial concepts here in the eastern part of Germany. It also meant an end to a system in which we were kept in tutelage by an omnipotent state that was responsible for everything.

When you opted for Berlin back in 1988, a process of change was already under way in our country. Now internal development and the process of European detente have coincided.

In the meantime we are now living under a new system, the market econ-

omy. We are experiencing an exciting period of transformation and radical structural changes in both the political and the economic system.

We have learnt a few things in the process. We have learnt that it is possible to change a planned economic system into a market-economy. But we have also learnt that it cannot be done automatically. We have had to learn the hard way that it is not simply a question of changing gear, but that very intensive accompanying measures are required. Despite the industriousness and experience of the population and despite our technological achievements, there are some fundamental things which we have inherited from the planned-economy system and which are now causing us great difficulties in a market-economy system.

Shortcomings in a Transition

I do not wish to give you a lecture on economics but I would like to draw your attention to the fact that there are two types of shortcoming that may threaten a nation's existence when it changes over from one system to another.

The first shortcoming is that in a planned economy there is no need to do any marketing as the distribution of products is planned. Many of our enterprises experienced the market economy as a shock on July 1st of last year. Many of them were confident that they held a firm place in the market and some of them that they dominated the market. They discovered that worldwide competition was faster

and looked better, even though the quality was not always superior and that there was fierce competition. There was a lack of marketing experience here, which meant large losses in the market.

The second shortcoming that goes hand in hand with a planned economy and which can make it difficult for enterprises to survive the transition to a market economy is the different financing system and the different style of business management. In a planned economy budgetary control is not the be-all and end-all. In the last resort an enterprise is always backed by the state so it is not necessary to make a finely balanced calculation between cost and price. This was the undoing of many firms.

In the meantime we know the problems. The learning process was and is tough. We are having to make changes in many areas, in the economy and in the legal and financial systems. Many new things have to be learnt. But it can be done.

It can be done with partners; it is teamwork that makes it possible. That is why experience of collaboration and co-operation, which is possible within the co-operative movement in particular, is of great importance to us. The people here in Germany's eastern federal states are experiencing radical changes that are leaving them breathless, unsettled and worried. We are finding that values, ideas and ways of acting which help not only the individual are becoming important and enduring.

Co-operation Strengthens

The co-operative idea proves its value in this state of flux. It makes joint action possible, even in a market economy. And this mutuality binds together and strengthens the weak. The sense of community in co-operative societies encourages and facilitates independent action. This mutuality can prevent political tutelage being replaced by economic tutelage here in the eastern part of Germany. It can help to ensure that those who live and produce here can also contribute to shaping directly the economic conditions of this state.

Co-op Movement Lives

The people here can feel that. One year after German reunification I can say, on behalf of the federal state of Brandenburg, that the co-operative movement is alive. Co-operative banks are popular. Agricultural co-operative societies are reorganizing and will survive. They will have good prospects, even though the process is very painful at present.

The consumer co-operative societies have their supporters and have a good future. You have heard that the host consumer co-operative societies still have four million members: instead of "still" I would suggest "already", as this reflects the situation more accurately. The consumer co-ops have given 100,000 workers a future to look forward to and have completed the transition to the market economy in a socially-acceptable way - with no outside help.

As a long-standing supporter of the co-operative movement and a member of a consumer co-operative society, I have recently had a disturbing experience which I would like to share with you. The system formerly in place in the GDR hindered and distrusted the co-operative societies. It did not promote them but always regarded them as second or third-rate parts of the economic system. I become very vigilant, therefore, when I occasionally discover signs in the new economic and social orders that even here the co-operative movement does not have the same opportunities either and is regarded as second-rate or even as irrelevant. We members of co-operative societies are not asking for any privileges, but we would like equality of opportunity for people who want to give priority to joint action, rather than to egoism, for the good of the community as a whole.

Our people can only have a future by bearing in mind joint security. We must understand an efficient economy and financial profit in terms of responsibility for the whole community.

The Future is Optimistic

Humanity needs co-op societies in the future. I am convinced that co-op societies have a future. I hope they will help people in Germany to come to terms with the sudden change of system and to co-shape the system based on freedom, democracy and the mar-

ket economy. I hope co-op societies will help Germans from the east and west to co-operate. It is through co-operation that people grow together best.

At this juncture I would once again like to thank Frank Dahrendorf very much for joining us here in eastern Germany when we are facing a very critical situation. We need westerners like that! Thank you, Frank.

The changes in Germany are serving as a model for organizing life in the countries that have yet to accomplish the social restructuring. When making our efforts, particularly here in eastern Germany, we must be aware that we are co-responsible for our friends not only in eastern Europe but also in Africa, Asia and Latin America. They, like us, are all looking for ways and models for organizing their social and economic systems. We are conscious of this responsibility.

Particularly in the work of our co-operative societies we will ensure that we do not just get bogged down in narcissistic contemplation of our own problems but consider the overall context. Just as we in Germany have only achieved unity, freedom and democracy within the framework of a pan-European and worldwide process, so do we see our work against the background of global problems.

Co-operatives in the Federal Republic of Germany

by Prof. J. Eekhoff*



It gives me great pleasure to open the meeting of the Central Committee of the International Co-operative Alliance. By bringing up the question of the basic values of co-operatives the ICA has set itself a complicated task in view of the changes in Central and Eastern Europe, especially since there are different opinions about the nature and function of co-operatives.

* Professor Eekhoff, Federal Secretary of State, made one of the speeches at the opening ceremony of the ICA Central Committee.

Basic Values of Co-operatives

The origin of co-operatives in the past century stems from the common wish - through voluntary union and combining of forces - to secure the existence of the weaker individual who was variously threatened by industrialization and new market structures.

Co-operatives in Europe and the rest of the world were successful with this aim. However, from the beginning the approach and legal principles for real-

izing this idea were different in the various countries, which makes the co-operative idea rich and varied.

In Germany, the private sector's notion of personal initiative within the free economic order had asserted itself since the beginning of the co-op movement.

Self-help, self-determination and direct responsibility combined with strict refusal of governmental influence and subsidies are the basic notions which continue to characterize co-operative law in the FRG.

The determining legal trait of German co-operatives is their promotional aim which distinguishes them from other legal forms. The co-operative is obliged to serve the economic interests of its members; it may not place the drive for profit as an end in itself at the forefront of its concerns.

Within this context co-operatives have played a decisive role in the economic upturn of the Federal Republic of Germany. In many economic spheres they occupy an influential or leading position and are an essential and necessary element of the economic and social order in this country.

According to German co-operative law, the co-operative is obliged to serve the economic interests of its members. Any other objectives may only be indirectly pursued, if at all. In contradiction, co-operatives in other countries have partially political, social, religious or other orientations.

The German Point of View

I would like to express clearly to our foreign participants that the solidarity on the part of the members of German co-operatives is not social policy directed toward third parties. It is group-based self-help, instead of collective welfare for outsiders; it is not social economy. The co-operatives are not components of an "Economie Sociale" in which the Commission in Brussels would like to see them, together with health insurance associations, welfare organizations and otherwise idealistic groupings. The German co-operatives distance themselves from the state, and are proud of this. They are not a third alternative between the entrepreneurial sphere and the public sector, but rather free enterprise companies standing in competition.

Historical, economic and social realities are not, however, comparable in the various countries. Other paths which other countries have followed and other conceptions can lead to the same results.

Co-operatives in the Eastern Part of Germany

In the former GDR during the past forty years, a co-operative form was practised which led to the perversion of the historic German co-operative ideal. What is remarkable in this regard is that the Co-operative Act of 1889 never lost its legal basis.

The purpose of co-operatives in the eastern part of Germany was to do away with private property. Co-op-

erative property - the first step to communal property - was taken away from the members of co-operatives, along with their right of ownership. The co-operatives were kept in tutelage by the model statutes of a planned economy. With the possibilities of pursuing a business policy of their own largely limited, the co-ops were hindered in realizing co-operative principles.

These co-operatives must now reform and take the path from a planned to a market economy - a great challenge and a situation unique in history.

Workers' productive co-operatives accounted for an especially high percentage of the co-operative sector of the former GDR. These are not co-operatives as defined by co-operative law.

But there are also producers' co-operatives in the western part of Germany, though small in number, which are co-operatives under the Co-operative Act, and were founded as local employment initiatives for the purpose of securing jobs, providing ecologically sound production and similar objectives. There have never been producers' co-operatives in the crafts and agricultural sectors in western Germany.

The federal government feels that the special form of craftsmen's and tradesmen's production co-operatives (PGH) which had been established in the former GDR should not be continued forever.

Accordingly, legislators have provided the opportunity for such co-operatives to transform themselves into partnerships, joint-stock companies or registered co-operatives. There is no preference for a particular legal form they should adopt. However, under current law, they are considered dissolved from 31 December 1992, if their transformation into a structure along market economy lines has not been completed by then. This process of transformation is underway, with most becoming above all limited liability companies (GmbH).

Comparably few have transformed into registered producers' co-operatives. This may be due to a significant information deficit about the various aspects of such transformation. The federal government has therefore charged an independent research institute with the preparation of information and advisory guidelines which describe the possible legal forms and their advantages or disadvantages, along with hints for optimal solutions within the framework of the chosen legal structure.

Craftsmen's and tradesmen's co-operatives which go for the producers' co-operative option should be aware that this is burdened with disadvantages. The egalitarian notion of its members as both entrepreneur and employee can be disruptive with regard to business decisions. The company can thus be hindered in asserting itself competitively on the market. There are practical limits to democratizing company business. Producers' co-operatives must get used to being

treated like any other co-operative - and do without subsidies for their subsistence.

Agricultural Co-operatives

In agriculture there are problems as well. Co-operative farms have not proven viable. The oversized and specialized farms in the east with their high transportation costs led to serious disruption of the biological balance. Therefore, family operated farms and various other patterns involving competitive and efficient forms of farming have emerged right after the recent political changes. In order to support this restructuring process, legal provisions similar to those applying to the PGHs have been issued and special funds earmarked for this purpose. Two thirds of the originally 4,500 co-operative farms have been transformed in the meantime into other business forms. Around 10,000 family-type farms have come about.

Consumer Co-operatives

As one of the supporting columns of the centrally directed domestic trade system of the former GDR the consumer co-operatives are also facing the inescapable consequence of adapting to new market realities. The first few steps have been taken, i.e. the sales network is being put back on an economically sound basis, staff has been reduced and strategic planning initiated. This path must be unswervingly followed. Unless the consumer co-operatives achieve a level of efficiency comparable to that of their competitors their retail trade outlets will not be able to assert themselves

on the market and stabilize their greatly reduced market share in the long run. This requires considerable effort and profound restructuring.

In the final analysis, these co-operatives will only survive by relying on their own initiative, not governmental assistance. This should suffice as examples of the process of restructuring going on in the co-operative sector.

Learning from Others

The co-operatives in the eastern part of Germany have reasonable chances of success if they restructure themselves bearing in mind the co-operative idea. A genuine obstacle to their renewal is, however, uncertainty in questions concerning property claims.

Co-operatives will have to play a special role in the economic and social changes in the countries of eastern and central Europe. The experiences gathered in restructuring the co-operatives in the eastern part of the Federal Republic and the success of the German co-operatives can be useful for the process of economic reconstruction there.

Co-operatives and Small and Medium-Sized Companies

The German economy derives its strength largely from small and medium-sized companies which account for 99.8 percent of all businesses of the country. Co-operatives are an essential part of this sector of the economy. They have always contributed to its strength and the maintenance of its well-balanced competitive structure.



Delegates and staff members listening to Professor Eekhoff's speech

Small and transparent decision-making centres are more productive and also more free, just and humane.

Policy regarding small and medium-sized businesses can only promise success as part of economic policy as a whole. Therefore, it is important to recognize that good economic policy is at the same time good policy for small and medium-sized companies. To this end, a dependable market economy framework is necessary.

This applies also to the German co-operatives. Legislators have changed the Co-operative Act several times in order to strengthen the function and competitive abilities of co-operatives vis-à-vis other forms of enterprise.

However, this has not meant preferential treatment.

As far as the stepped-up competition on the domestic market is concerned, the legal framework provided under

the Co-operative Act has proven to be a good foundation for the necessary innovation on the part of co-operatives.

Co-operatives should, however, make every effort to avoid alienation of their specific legal forms. This form does not make provision for co-operatives, unless they follow the "model" defined by the Co-operative Act. There is, above all, the danger of diminish-

ing the role played by members as the pillars of co-operatives. There are also signs of a growing weariness of democracy. The co-operative will remain a modern form of economic and social life if it works against such developments.

I hope that this Central Committee Meeting in Berlin will be successful and will contribute to the growth of co-operatives all over the world.



ICA President, Director and new Vice President listening to debates

Co-op Policy and Legislation in Eastern and Central Europe Economies in Transition

by Jürgen von Muralt*

The transformation of the centrally planned economies in Eastern Europe and the Soviet Union into decentralised market economies is a process of enormous complexity and one which poses tremendous challenges and opportunities for politicians, co-operators and citizens alike. In 1991, the euphoria which followed the dramatic political changes in most of these nations has given way to a sober realization of the serious economic and political problems.

Countries began their reform efforts with considerable optimism and public support. Several of them embraced free markets and political pluralism, at least in word if not in deed. First steps have been taken to free prices, make their currencies convertible, lower trade barriers, privatise their state-owned industries and open their doors



to foreign investors. Unfortunately, not all is going well, and these countries are in the grips of a prolonged and severe recession.

The serious challenges governments face in moving to market economies pose a dilemma. They must choose between making changes quickly and making them prudently.

If they take bold action, it will disrupt the lives of millions of their citizens and create unhappiness among newly democratic enfranchised voters who prefer less disruption. While most economic experts advocate a rapid transition to the market economy they acknowledge that the transition could take up to a decade, which is an unpalatable message for any politician to

*The author is Director of the Enterprise and Co-operative Development of the International Labour Office. He wishes to express his sincere thanks to his colleague Dr. D. Mavrogiannis and to Prof. G. Hansen, Utah State University, for their valuable contributions to this paper. However, the views expressed are those of the author and not necessarily of the ILO.

offer voters. Unfortunately, the consequences of temporizing and delay are even worse.

However rapidly or slowly the economic transformation to a market economy occurs in Eastern Europe, it poses some serious challenges to co-operatives. Though the traditional consumer co-operative and Raiffeisen credit systems for agriculture penetrated Eastern Europe and the Soviet Union prior to the beginning of the 20th century, genuine co-operatives have undergone major distortions and have experienced difficulties in functioning. Genuine co-operatives were abandoned and replaced by Marxist dogma and theory which at best saw an intermediate role of co-operatives in achieving socialism. They vanished with the forced collectivisation of the land, the lack of private ownership of the means of production, private investments and individual entrepreneurship. Calling collective farms co-operatives created false impressions about the values and principles of co-operatives. The results were counterfeit forms of co-operatives passing themselves off as the genuine item.

Despite being captives of the state and its policies, consumer and agricultural producer co-operatives rendered some valuable services to the populations in these countries: first by producing and distributing food to their rural populations, and second by enabling parts of the population to preserve a minimum of relative autonomy and economic organisation in their daily lives, including services resulting from their membership in the collective farms.

A Crisis of Identity

Unfortunately, the ideological baggage, and the authoritarian control and the enforced collectivisation resulted in a negative image of co-operatives. All types of co-operatives were tarred with the same brush, and several of the newly elected governments neglected or condemned co-operatives as part of the discredited socialist economy. This left the co-operative movements with an identity crisis and an uphill struggle to survive. In countries such as Poland, the government's previous authoritarian control and domination of co-operatives has debased the value of the term co-operative, making it no longer valid or acceptable as a form of business in the restructured and privatised economy. At the same time, members of new co-operatives are confused about the definition and role of co-operatives. They are unsure of the differences between co-operatives and other profit-making enterprises. Political leaders are also confused as to whether co-operatives can help resolve major social and economic problems during the transition period by maintaining employment and ensuring some conditions of production, processing and marketing activities. The identity crisis of the co-operative movements, the indifference or hostility of some governments, and the confusion among politicians and co-operators constitute major obstacles to the smooth evolution of co-operatives within the transformed economies.

In the months and years ahead, the co-operative movements in Eastern and

Central Europe must create a new identity which defines their unique characteristics and potential for service. It must above all distinguish and distance them from the discredited forms of co-operatives created under socialism, and establish positive images of them as legitimate, democratic economic and social institutions with an important role to play in a market economy.

The number of state-owned firms intended for privatisation is substantial and the process highlights many unforeseen issues, including theft of state assets and decapitalisation. [Manasian, pp. 10, 13]

Meeting the Challenge

What do all these changes mean for co-operatives? First, changes create opportunities, and the changes occurring in Central and Eastern Europe present great opportunities for co-operatives in the coming decade. As these countries move from state-dominated command economies to capitalist-dominated market economies there is an urgent need for economic and social institutions which can serve a mediating role and preserve social values and a sense of community, maintain employment for substantial numbers of the workforce, and provide quality goods and services to large segments of the population. Co-operatives can and do perform such a role. Furthermore, they are well suited to serve the unique needs of people in specific sectors such as agriculture or housing. The challenge for co-operatives and their leaders is to identify the roles they want to perform in the

new market economies and to determine how to carry them out under difficult and adverse conditions during the transition. This task will not be easy and will take a long time to implement.

Among the challenges co-operatives face, as they struggle to survive in the new environment, are several related to the privatisation process. For example, who owns the property of established co-operatives? Should it be sold or kept? Whatever the answer, what portion of the proceeds or property belong to the former workers who are not entitled to or do not want to continue to be members or even workers in privatised co-operatives? Is the State's or socialist property transferred to a group of workers who want to form a co-operative or is the property transferred to an established co-operative? In the agricultural sector the role and functions of co-operatives is equally or even more complicated. Without full privatisation of land, which has yet to be achieved, new and small agricultural co-operatives will be difficult to organise and operate.

Co-ops versus Privatisation

Even more serious than the question of privatising co-operative property is the question of privatising other State enterprises and converting them into co-operatives. The co-operative movements in Central and Eastern Europe face the very real prospect that in the move to privatise their economies, the countries in the region will be blinded by the perceived opulence of the western democracies and attribute their success only to the individualistic forms

of entrepreneurship and joint-stock capitalism, without acknowledging any substantial role for co-operatives.

Instead of advocating co-operative or other self-managed forms of ownership as the objective of privatisation, the models preferred are those in which every citizen receives a voucher entitling him or her to a share in all of the previously state-owned enterprises. This would ultimately produce the same sort of stock ownership as practised through large joint-stock enterprises in other capitalist nations. This biased attitude toward privatisation poses a major challenge to co-operatives. Should they seek to become major players in the privatisation process and attempt to expand the co-operative sector? Can the co-operative movement make a credible case for the transfer of State enterprises to co-operative or other self-managed forms of ownership? How can or should they go about developing and implementing political and other strategies to influence the privatisation decisions in favour of the co-operative or self-managed sectors?

The Membership Issue

Membership is another challenge. During the previous communist regime, all workers in the co-operative enterprise were members and received wage benefits, pensions and social protection. In the absence of State systems to provide pensions and social security, workers in co-operatives are reluctant to lose those advantages. Yet in private production and service co-operatives, with the exception of worker-owned industrial co-opera-

tives, employees do not normally hold the status of full members. In established co-operatives undergoing restructuring, where the workers have been partners in capital formation and sharing invested profits, the situation will be somewhat delicate. In the future, whatever the conditions of privatisation, how can employees and staff of co-operatives be kept outside the capital formation and distribution of profits in these countries? And, in the context of a co-operative, who among former employees would become members and who would be limited to the status of hired labour.

Are co-operatives member associations or business organisations? Many of the co-operatives were functioning as (subsidised) commercial enterprises which operated in the State's interests with little concern for their members or for co-operative values. As these enterprises are privatised, full co-operative values and practices must be restored, and their leaders must obtain the loyalty and commitment of members who have little understanding of genuine co-operation.

The established co-operatives or, more particularly, some of their apex organisations at the national level have lost the privileges granted to them by previous communist regimes. Cumbersome organisational forms and centralised economic functions performed according to administrative edict have been condensed or eliminated.

Primary co-operatives must now be reoriented so they do not become directed exclusively toward profit-

making through purely commercial operations. They should also make an effort to improve the working and living conditions of their members. This may prove difficult since many so-called co-operatives in Central and Eastern Europe are pursuing commercial goals while existing legislation reminds them that they have a responsibility to improve the national economy of the country. In both instances, the organisations are wrongly called co-operatives because they operate under distorted or defective objectives.

The Legal Framework for Co-operative Development

First on the list of things to be done to strengthen the position of co-operatives in Central and Eastern Europe is to restore the legality of co-operatives as service-oriented private institutions. Questions related to the definition of co-operatives, their organisational particularities, their goals, administration and management and relationship with the State need to be clarified through the new laws under preparation in the countries. The legislation must also reflect the basic values and principles of co-operation. Fortunately, the legislation which has been passed or is under consideration in the different countries is beginning to address these issues.

The legislative action needed to facilitate the reformation of co-ops is proceeding apace, albeit at different speeds and with uneven results in each country. A brief review of legislative developments in each country is instructive of how much remains to be done.

The Polish Case

In Poland, government policies favouring wholesale privatisation and conversion to capitalism have adversely affected co-operatives during the past three years. Polish legislation has failed to promote co-operatives or consider their special situation. The co-operative law of 1982 continues to be in force, although in early 1990 the government took steps to clarify the situation and create conditions for new private co-operatives at the local level. A law passed in January 1990 provided that all regional co-operative unions (400) as well as all national apex operations (14), except the Supreme Co-operative Council, be put into obligatory liquidation. This has just been declared unconstitutional. It would have meant that each individual co-operative would have had to struggle alone. As regards co-operatives' property, the government's intentions are not clear as to the previous co-operative employees and even to the public.

This has had a negative impact of members of primary co-operatives who are the authentic owners of the property under liquidation. If carried out, this option leaves the primary co-operatives, particularly agricultural co-operatives, with a lack of means to produce, process and market their products.

A joint mission of the World Bank, EEC and the Polish Government studied the agricultural sector of the Polish economy and issued a report in late 1990. They concluded that co-operatives are important to the future of

Polish agriculture and made recommendations aimed at restoring a favourable climate for co-operative development. They recommended that farmers be the only members and owners of the assets of their co-operatives, that management be improved, that liquidation be terminated, that a co-operative restructuring organisation be created to manage co-operatives under liquidation until their future can be sorted out, that services to existing co-operatives be improved, and that new co-operative legislation ensuring independence from the State's interference be adopted. The ILO, the World Bank, the EEC and Polish groups of experts have proposed the organisation of a round table for discussing all proposals leading to final conclusions for the in-depth revision and updating of the law in 1992.

The one bright spot in Poland is in the area of credit unions. A Foundation for Polish Credit Unions was formed in July 1990 with the assistance of the World Council of Credit Unions. [Subsequent efforts by the Foundation have been directed towards creating a system of savings and credit co-operatives and service related organisations. Their efforts have focused on transforming the existent Workers' Savings and Loans Associations into bona fide credit unions. The current policies of the Foundation are limited by two legal documents defining the area that cannot currently be exceeded. These are: the Trade Union Act recently approved by the Polish Parliament, and the projected "Directive of the Ministry of Labour and Social Policy on the Principles of Organisation and

Operations of Co-operative Savings and Credit Unions (SKOKs) and the Principles of Transforming Workers' Savings and Loans Associations into SKOKs." These two legal and administrative enactments pave the way for the development of a fully independent credit co-operative movement in Poland. [Credit Unions, 1991]]

The Situation in Bulgaria

In Bulgaria, consumer and producer co-operatives have been engaged in restructuring and privatising the co-operative movement since 1990. The existing co-operative law of 1983 was reviewed by national experts, and ILO and ICA experts helped draft a new law. The law, adopted in July 1991, provides for new and favourable conditions for independent co-operatives which are separate from the State and State enterprises, including collective farms. It foresees the transfer of State property to co-operatives and guarantees self-management and co-operative property. Implementation of the new law will contribute to the creation of private enterprises and self-managed co-operatives in the urban areas while accelerating privatisation and new economic organisation of the agricultural sector.

The Czech and Slo^vakian Federal Republic

The legislature of the Czech and Slo^vakian Federal Republic (CSFR) has passed three laws since 1990 to provide a legal framework for the development of private co-operatives. Constitutional law N° 100 amended those provisions of the existing consti-

tution of the country to restore private ownership of property and individual rights connected to such property. In the same year, a national consensus was reached between Government and the co-operatives regarding new co-operative policies. This was spelled out in two laws, The Co-operative Farming Act (N° 162/1990) and the Housing, Consumer, Producer and Other Co-operatives Act (N° 176/1990) which came into force in May and June 1990. The new laws took the first steps toward separating co-operatives from State control and providing for their registration and freedom to establish their own rules. Profits realised by co-operatives may now go to their members and, in the case of co-operative farming, also to workers. The government is also obliged to create the appropriate prerequisites for the successful development of co-operatives.

According to the law on agricultural co-operatives (N° 162/1990), members of agricultural co-operatives own the means of production - the land, and they elect their own leaders. A new Law on Transformation of Co-operatives will be discussed in Parliament during 1991. This law sets out the legal framework within which co-operatives of different types "can turn themselves into another form". This legislation is designed to promote private economic activities, and to "moderate the dominant role played by state and co-operative property". Hopefully, it will provide for the creation of fully independent and voluntary co-operatives as well. [Tomko, 1991]

Co-operatives in Hungary

In Hungary the state interference in the affairs of co-operatives began diminishing in 1968. A new co-operative law was passed in 1971, which softened the dictatorial control and allowed greater self-management. Following the major political and economic changes of recent years, the government began moving toward a market economy, and favoured the restructuring of co-operatives. By October 1990 a drafting committee completed a new draft law on co-operatives which was submitted for Government consideration. The new guidelines provide a definition of co-operatives, the notion of co-operative property, an extension of conditions for self-management, criteria for membership, capital and reserves formation, and working relationships between co-operatives and government. The new draft law is now being discussed in parliament.

Romania after 1989

Because of the political changes which occurred in 1989, Romania rushed to elaborate and adopt two decree-laws in early 1990, which provide new co-operative guidelines. These new legislative texts repeat the previous texts and attempt to decentralise co-operative activities and reduce State interference.

The laws also extend co-operative activities to urban areas and emphasize the autonomy of consumer and credit co-operatives based exclusively on the laws and by-laws concerning them. Unfortunately, the working

relationship between the State and co-operatives is still not clarified, and the laws are incomplete, leaving much of the previous government policy and practices in place. For example, the national apex organisation of consumer and credit co-operatives maintains its centralised character and continues to fix obligatory rules for all co-operatives. Similar defects exist in the policy issues laid down by the decree-law on handicraft co-operatives. The independence and autonomy of handicraft co-operatives are not defended properly, and co-operative principles and provisions are omitted, including statements about open and voluntary affiliation, self-management by elected bodies, capital formation, legal reserves, etc. In summary, co-operative policy in Rumania originating from the two legislative texts has cut previous links between the state and co-ops, but the necessary links leading to restructuring, privatisation and self-management are not evident, nor are they backed by adequate legal provisions.

The Soviet Union

In the Soviet Union the conditions leading to economic restructuring have also been extended to co-operatives. Several Supreme Council decrees since 1987 have given a decisive impetus to the creation of new co-operatives in services, catering and production. The general law on co-operatives adopted in 1988 accelerated the emergence of new co-operatives in both the rural and urban sectors and in all spheres of economic activity. By the end of 1990 there were 245,000 registered new co-operatives with a membership (members and hired labour) of 6,098,200.

Unfortunately, these impressive numbers do not tell the whole story.

The 1988 Soviet law on co-operatives started a real boom of co-operative activity by introducing the co-operative economy as one of the three economic sectors (the other two being State and individual enterprise). Since then the co-operative sector has become independent from the other two and equal and competitive to them. Another change incorporated in the law was that co-operative activities could be organised without geographical limits or any other restrictions throughout the country. Prior to the passage of that law, consumer co-operatives had been persecuted and, since 1935, limited to rural areas only.

Other changes provided by the law include a reduction in taxes - they must be based on stable rates that cannot be changed for at least a five year period, favourable interest rates on credit, support in obtaining premises and supplies, technological support equal to that given to state enterprises, and guarantees of the right to affiliate with co-operatives and of co-operative autonomy. The impact of the new law was dramatic and led to an increase of the share of co-operatives in production and the supply of goods and services.

Unfortunately, the 1988 law is severely flawed. It retains the values of the 1917 revolution and the principles of Lenin's postulates on co-operatives but genuine co-operative values and principles were not reintroduced in the law.

Another major flaw in the law is the extension of political and administrative functions of the socialist work collectives to the private co-operative enterprise. Finally, the law does not preserve its private character and autonomy because it extends to and regulates the functioning of the collective farms of the country. Administratively, the law is weak and preserves the state's right to interpret the law and to amend the legislation through its local bureaucracies. Not surprisingly, conservatives in government opposed the new freedoms for co-operatives and by December 1988 they began issuing statements restricting the spheres of activity of co-operatives, citing profiteering and other excesses as justification.

Between 1988 and 1990 negative public and media criticism caused by shortages, and high cost of food and the excessive profits generated by many of the new entrepreneurial businesses operating under the guise of co-operatives caused the government to "correct" some of the errors and to interfere with the growth and efficiency of co-operatives. Government and local authorities introduced numerous changes which created some confusion and caused protests from the co-operatives. For example, in February 1989 co-operatives were accused of harbouring "speculative tendencies", and a decree by the Council of Ministers stated that measures should be taken to bring co-operative prices into line with official state prices.

In June 1990 the government, by a new legislative text, "Law on Changes in

and Amendments to the Law of the USSR on Co-operation in the USSR", restored the previous full involvement of co-operatives in all types of activities and even corrected several inconveniences of the law of 1988, such as legal guarantees to co-operatives, easy registration of new co-operatives, and the formation of legal reserves.

However, the 1990 law also placed several serious handicaps on co-operatives. First, in response to the earlier criticism, co-operatives were allowed much less authority in setting prices and had to observe official state prices in a wide variety of circumstances. Second, co-operatives were not allowed to engage in any middleman activities. Finally, the law imposed increased rates of taxation (from 35 to 55 percent), depending on the type of co-operative activities.

The inconsistency and continuing changes of policies and legislation between 1987 and 1990 reflect a lack of appreciation by the government of the fact that "a significant role for co-operatives... in revitalising the economy depends on a credible long-term commitment to the private sector." [Vinokourov, p. 6]

The events of August 1991 in the Soviet Union have greatly increased movement toward a market economy as well as drastic and unpredictable social and political changes throughout the Soviet society. It is hoped that the coming economic reform will begin full-scale privatisation and eliminate the remaining legal and other restrictions on co-operatives.

Some Unresolved Legal and Legislative Issues

As suggested above in the country by country review, co-operatives face several important legal issues as they make the transition to a market economy. First is the issue of the rights of membership and staff. The principle of voluntary and open membership raises a question about the rights of employees to be members of the co-operative. For social security and pension scheme purposes, all employees intend to and claim the right to join the co-operative, as in the past, or to become members of new co-operatives emerging in the sector of their work. In the past, in their double role of workers and members they received both wages and probably bonuses and interest (dividends) on their capital. This may become a problem in privatising agricultural co-operatives and service co-operatives where membership is open only to those who have similar professional qualifications. Can workers and staff be kept outside of the capital formation and distribution of profits? Should future efforts to raise funds include all partners, such as members and employees, and also from the public? What implications will this have on ownership and control?

The existing legislation does not clarify or satisfactorily resolve the question of formation of reserves for losses and developmental purposes as well as reinvestment of profits. In addition, the devolution of net liquidated assets of co-operatives raises questions from members of new co-ops.

They claim division and distribution among them of these net assets. Is this the best solution? Should the residual assets be distributed among the members or must they be transmitted and used for creating new co-operatives and improving training programmes for co-operative education and managerial skills? In the USSR, the 1988 law left this up to the members and their by-laws. In light of experience, the 1990 amendments introduced legal reserves. The 1990 law in Czechoslovakia on agricultural farming stipulates that net liquidated assets are to be divided and distributed among members. But the 1990 Czech law on housing and consumer co-operatives stipulates an intermediate solution similar to that suggested by the international co-operative movement.

Whatever the ways and means specified for capital formation, investments, and distribution of surplus co-operative assets in case of liquidation, co-operative property has to be guaranteed by the state as separate from both the state and members' individual property.

Prerequisites for Success

The creation of a healthy, independent co-operative sector in each of the countries of Central and Eastern Europe is contingent on the accomplishment of several things: first, the right to self-administration, free from the domination and control by the state. This means either a revision of the existing co-operative legislation or the passage of entirely new legislation. Second, definition of the legal rela-

tionship between the state and co-operatives, co-operatives and members, and co-operatives and other third persons or organisations must be defined. Third, co-operatives must have equal and fair treatment by the tax collector. Because co-operatives have a social as well as economic purpose, they must have sufficient tax and other incentives to enable them to fulfil their social objectives and to be competitive with other private enterprises. At the very least, co-operatives must not be penalised or placed at a disadvantage vis-à-vis other businesses. Tax laws and regulations should recognise the special characteristics of co-operatives and treat them accordingly.

Entrepreneurship and Training

Success in competitive business environments and success as voluntary membership organisations with social objectives demand highly skilled managers.

In Central and Eastern Europe, co-operatives have been part of state monopolies without the threat of competition. They have been both sheltered and dominated by authoritarian governments, and in many cases they have operated without concern for their members. This means that their managers lack many of the business and managerial skills needed for survival and success in the new market economies in which they must now operate. Furthermore, to be successful in the future, these co-operative managers, and perhaps even the members of their co-operatives, must

become entrepreneurs - having many of the attributes and using many of the skills of successful private entrepreneurs.

It is widely agreed that educating and training co-operative leaders and managers is a key requirement if co-operatives are to play an important role in rebuilding political democracy and economic pluralism in Central and Eastern Europe and if they are to survive as viable institutions. The situation was stated very succinctly by a Hungarian co-operator: "The co-operative crisis in Eastern and Central Europe is for the most part a management crisis and not a membership crisis. The co-operative ideals remain as valid as in the past." [ICA, "Eastern and Central Europe - one year later"] The implication is that the old managerial skills are no longer viable. The question which must be answered is, how and where can managers obtain the necessary skills to make them effective in the new competitive environment? Certainly, at the present time, the co-operative training institutions in these countries lack the staff and expertise to provide such training, either in management or leadership skills.

What is the role of the members in their education? Just as the leaders and managers of co-operatives lack a basic understanding of their roles in a membership organisation and in a market economy, members of co-operatives also lack a basic understanding of their roles as members. Long dominated by government and controlled by appointed leaders who

exercised top-down authority through centralised apex organisations and bureaucratic regulations, most members of co-operatives in Central and Eastern Europe have been passive participants who lack a clear understanding of the basic purposes and values of genuine democratic co-operatives. Members of new co-operatives are equally lacking in knowledge and understanding of their roles, but they have not been imprinted with the negative images and practices of old co-operatives. Both groups must learn that co-operatives are an association of people and people-centred businesses, and they must be prepared to assume an active, participating role in their co-operative enterprises. They also need to learn that they have a personal stake in the enterprises and a responsibility to become directly involved in their education as co-operators.

International Support

Fortunately, the members, leaders and managers of co-operatives in Central and Eastern Europe are not alone in their struggle to make the transition to political pluralism and market economies. The changes occurring provide them with the opportunity to return to their traditional democratic roots, to strengthen their economic efficiency, and to become influential in shaping the future course of their societies. To help them in their struggle, they can share in and benefit from the international co-operative solidarity established over many decades.

Co-operative organisations in Western Europe and North America are

ready to offer assistance and to undertake commercial collaboration with existing and new co-operatives in Central and Eastern Europe. This help may come from governments, movement to movement assistance, and through international organisations such as the ILO. The European Community has funds available and has been designated to co-ordinate the activities of the OECD countries. The International Co-operative Alliance has committed itself to support its member organisations in Eastern and Central Europe. The ICA has undertaken a number of activities including organising meetings on topics of interest, providing information and elaborating studies for the movement and for potential development partners. It is also prepared "to provide assistance to governments, social and economic organisations, and others who wish to support authentic co-operative development in the region." [ICA, - 1990]

There are also numerous examples of movement to movement assistance. The ILO has provided legislative advice and assistance to the governments and movements in Bulgaria, Poland and the USSR. The ILO COOP Branch is now in the process of seeing how far MATCOM (Material and Techniques for Co-operative Management Training) training materials can be adapted to the needs of Eastern and Central European co-operatives. We are now considering launching a mission together with interested agencies such as the ICA and the World Bank to assess the management and other training needs of co-ops. Based on the re-

sults of such missions, we will be developing new initiatives with interested donors to strengthen the co-operative movement's training capabilities. We at the ILO are especially interested in the development of co-operative en-

trepreneurship and the potential of industrial and other co-operatives to create jobs in Eastern and Central Europe and will be working with others to explore these areas.

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Eberhard Diepgen, Mayor of Berlin, and Frank Dahrendorf, CEO of Vdk.



An Egyptian journalist interviewing the Mayor of Berlin

The Process of Restructuring Agricultural Co-ops in Poland

Its Relevance for Other ECE Countries

by Lorenz Pohlmeier*

Developing a Regional Perspective

Together with the Polish authorities and the Supreme Co-operative Council, the PHARE Programme of the European Community and the World Bank have undertaken extensive work on rural co-operatives in Poland. Two US co-operative organisations, NCBA and ACDI also provided some support during the initial stage. Only limited efforts related to co-operatives have been undertaken by the Bank in Bulgaria, Hungary, Romania and Yugoslavia. No work has yet been done in Albania, the CSFR and the Soviet Union.

While each country has to develop its own approach towards privatisation generally and co-operative restructuring in particular, there are sufficient common elements in these countries to encourage an attempt to develop a regional perspective on a few issues.



A Long Tradition

Co-ops in Eastern and Central European countries (ECEC) have a long tradition, with the first co-ops having been established there in the middle of the 19th century. After 1945, the ECEC co-ops were increasingly considered as a transitional form of organisation, advanced in comparison to individual ownership but still short of the final socialist development stage, that of state ownership. During this 45-year period, the co-op movements in effect were incorporated into centrally planned economies, and subjected to varying degrees of state control. Furthermore, the states also initiated the establishment of new and different types of co-ops with a view to accelerating the development of the socialised economy.

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Defining the Co-operative

For many decision makers, the role and importance of co-operative organisations in the newly emerging market economies is not clear. The term "co-operative" was misused by previous ECEC governments for their policies of collectivisation and state control. Therefore, most co-operatives became parastatals in disguise with a political and public service agenda. We believe that many of these organisations cannot be transformed into genuine and efficient co-operatives. Production or collective co-operatives, in particular, are similar to state enterprises or farms and, therefore, the privatisation of production co-operatives should be approached similarly to state enterprises. With the emergence of a private sector, however, a new service infrastructure (in agriculture, for example: input and product marketing, agro-processing, rural finance) is required. These services should be provided by the private sector, including co-operatives.

Transform or Start from Zero

For others, the issue is whether the main thrust of co-operative development could be expected to involve the transformation of existing co-operatives into member-controlled and market-driven organisations, or whether existing co-operatives would need to be largely dismantled and replaced by newly-formed co-operative organisations. It would appear that there is significant development potential in some of the existing co-operatives because of their existing institutional network in terms of buy-

ing and selling points and transportation, storage and processing facilities. These networks can offer an excellent base to those co-operatives which have the commitment and the capacity to adjust to the new economic realities. Actually, some co-operatives have already commenced to adjust to market economy and competition, and to transform themselves into private and member service organisations. Thus, co-operatives, unlike many State enterprises, seem to be more advanced in reacting to the new rules of the economic game.

Disassociating from Government

A major issue which existing service co-operatives face is their reputation of having been government-controlled organisations with only very little participation and control by members. Co-operatives will have to prove quickly that they did not fully lose their identity as member-controlled organisations during the period of command economy, and demonstrate effectively that democratically elected member representatives can regain full authority over the organisation.

Due to the past pervasive State interventions, many co-operatives developed into public service organisations instead of being member-oriented enterprises. It is characteristic of ECEC co-operatives that they engaged in activities which are neither member-oriented, nor profitable.

Co-operatives will, therefore, have to re-focus their activities on member

needs and phase out any activity which is not sufficiently member specific.

Developing Business Skills

A fundamental deficiency of many ECEC co-operatives is that they are not operating in a business-like manner. Clearly, co-operatives will have to develop a business-like approach and develop the relevant managerial skills to overcome the previous civil service approach and supply attitude. Lack of a business orientation and inadequacy of managerial skills, however, are not limited to co-operatives but are the typical weakness of almost all organisations in ECE countries after 45 years of command economy.

The Polish Situation

Let me come now to the case of Poland, the present situation of co-operatives in that country, and especially the situation of agricultural co-operatives, and then to the programme we developed together with the EC service PHARE for Polish co-operatives. Allow me first, however, an important initial remark: 75% of the agricultural land in Poland has been, and continues to be, cultivated by private farmers. Therefore, the predominant form of agricultural co-operatives in Poland are service co-operatives and not the agricultural production co-operatives we find in most other ECE countries. Until recently, all primary co-operatives were grouped by subsectors into some 400 regional unions, which, in turn, were affiliated into 17 central unions. The co-operatives in various subsectors have been, and still

are, represented nationally by the Supreme Co-operative Council (SCC).

The co-operative movement in Poland now consists of about 15,000 primary co-operatives (about 7,000 in urban and 8,000 in rural areas), and thousands of co-operative enterprises which were previously controlled by secondary and tertiary co-operatives (co-operative unions). The subsectors of agricultural co-operatives comprise about 2,000 Peasant Self-Aid Co-operatives (PSA), 320 Dairy Co-operatives (DCs), 140 Horticulture Co-operatives (HCs), 2,000 Co-operatives of Agricultural Circles, and 2,000 Agricultural Production Co-operatives.

As in other ECE countries the performance of the previously state-controlled co-operatives has generally been unsatisfactory. As already mentioned, primary co-operatives have not been sufficiently service-oriented and have not responded adequately to member needs and priorities. Co-operative unions have tended to operate at excessive costs, often undertaking, at the request of state authorities, activities not relevant to the activities of village-level co-operatives. The support services provided to primary co-operatives, such as management advice and organisational assistance, have usually been of poor quality.

The Polish government envisages co-operatives to be an integral part of the private sector in the future, especially in agriculture. This requires a major restructuring of the co-operative sector, involving liquidation of non-viable co-operatives, a change to some

non-co-operative form of ownership for others, and the transformation to "genuine" co-operatives of the remaining units. As everybody here knows, genuine co-operatives are owned and controlled by their members and provide services to member clients. Transformation of co-operatives, therefore, includes: (i) obtaining firm commitments (e.g., in terms of equity contributions) from those members who intend to continue participating in and doing business with their co-operative, and (ii) restructuring the co-operative in such a way that it will provide efficient services by responding to priority needs of the re-established membership.

The 1990 Co-operative Law

A significant amendment to the Polish co-operative law in January 1990, aimed at fundamentally restructuring and democratising the co-operative sector through: (a) the election of new member representatives at the level of primary co-operatives, and (b) the liquidation of all co-operative unions at the regional and national levels, and transfer or sale of their assets to new owners. While a step forward, the co-operative restructuring initiated under the 1990 co-operative law amendment is inadequate in its concept and rather poor in its implementation. For example, the elections of co-operative representatives were inadequately prepared and organised, with the result that only a minority of members participated and the effect on the composition of co-operative supervisory councils and management boards was not very significant. The implementation of the liquidation of co-operative

unions, while aiming at dismantling monopolies, has had an overall negative effect. Liquidation of the unions made orphans of numerous enterprises which were previously operated by them. Furthermore, the broad restructuring of the ownership of union assets has resulted in a fragmentation of vital industrial and service chains, and raises doubts as to the sustainability of the new ownership structures. Finally, the 1990 law amendment did not allow for the establishment of new co-operative service and apex organisations until mid-1991, a provision which has resulted in primary co-operatives not receiving any support services in the interim.

Peasant Self-Aid Co-ops

As already mentioned, Poland has several subsectors of agricultural co-operatives. As an example, let me tell you something about the Marketing or Peasant Self-Aid Co-ops (PSAs). These organisations have an extensive institutional network, with more than 100,000 retail outlets and production collection points. In addition to input/output marketing and primary agroprocessing, PSAs operate as producers and retailers of consumer goods, and are involved in some social activities. The key issue in the restructuring of PSAs will be the focusing of their activities. By distinguishing between the two main member/user groups, i.e., farmers and consumers, PSAs need to regroup their activities into (i) farm services and (ii) village services, by separating these activities within the organisation of each PSA, or by splitting PSAs into two different co-operatives. The rationalisation of PSA ac-

tivities includes the need to concentrate on and subsequently improve key services by networking or subcontracting auxiliary services, and phasing out activities unrelated to the core activities and services. For example, key farm services include the provision of essential inputs, and market outlets for the main agricultural products. The processing of most of these products might be best handled by State Farm processing units which are being privatised, or by emerging small private sector entities via sub-contracts.

While preparing a project for the Polish co-operatives, we addressed the following issues. Agricultural co-ops are presently facing the enormous task of transforming and adjusting to the new economic environment, market conditions, and member demands without any guidance or support. While awaiting the emergence of the new service and apex structures, primary co-operatives in priority sectors need to be supported by an interim structure providing services relevant to their transformation and adjustment process. There are three main types of support needed by agricultural co-operatives. First, effective strategies for generating member loyalty and commitment (through meaningful participation and involvement) need to be developed and implemented, while focusing co-operative services on member needs. Second, managerial, financial, organisational, and technical skills need to be strengthened in order to reorganise co-operative enterprises and to improve their efficiency. Third, agricultural co-operatives require support to participate

effectively in efforts aimed at restructuring the subsectors in which they are operating.

Developing a New Structure

Agricultural co-operatives require in the medium term a new service and apex structure which would: (i) provide on a permanent basis the support services required by primary co-operatives, (ii) operate central marketing and processing enterprises in the upstream and downstream sectors of primary co-operative activities, and (iii) represent co-operatives on policy and structural issues relevant to co-operative activities and organisation. It is not possible at this stage to decide on the future structure of the Polish co-operative movement, since it needs to evolve according to the requirements of primary co-operatives, and the establishment of secondary co-operatives should be left to the initiative of the primary co-operatives after they have addressed the most urgent issues of their own organisation. The same applies to the eventual establishment of new central unions or federations. However, primary co-operatives need advice on the design, composition, and timing of new secondary and tertiary structures.

While adequate for initiating project activities, the present co-operative legislation in Poland needs to be enacted which provides an overall framework defining the general nature and basic structure of the co-operative movement and the constituent co-operatives. The urgent need to make fundamental changes in the co-operative legislation is fully accepted within

the co-operative movement and the Government.

The main objectives of our efforts in Poland are: (i) to guide, facilitate and accelerate the transformation of the existing agricultural co-operatives from social sector organisations to private sector and member-controlled institutions, (ii) to support the establishment of new agricultural co-operatives, and (iii) to assist agricultural co-ops in establishing their own service and apex structures. Our project supports an institutional development program by providing to agricultural co-operatives: (a) information services for members and training for staff and management; (b) management advice, including advice on legal, financial and organisational issues; and (c) business advice relevant to the specific subsector in which agricultural co-operatives are operating (e.g., marketing and processing, dairying, horticulture). For the design and delivery of these services, the project finances the establishment and operation of a Co-operative Development Unit (CDU) and of some 12 Regional Co-operative Service Units (RCSUs).

The Co-operative Development Unit

The CDU is the central authority for undertaking institutional development for rural co-operatives. Its functions are to: (i) establish, support and supervise the RCSUs; (ii) provide assistance and support to co-operatively-owned enterprises which are beyond the scope of the RCSUs; (iii) restructuring programs for co-operative subsectors; and

(iv) assist Government in drafting co-operative legislation. The CDU is headed by a Management Board, composed of 12 co-operative representatives from various regions and co-operative subsectors, a representative of the SCC, the Government Plenipotentiary for Co-operatives, and a representative of the Minister of Agriculture and Food Economy.

The Regional Co-operative Service Unit

Twelve RCSUs are planned to be established in the economic centres of the various regions. Each RCSU functions would be to assist agricultural co-operatives in their transformation and development process by providing relevant support services. They will vary in composition and size according to the number and kind of co-operatives in their area of operation as well as the amount and type of service requests presented by participating co-operatives.

On average, each RCSU is planned to serve about 200 co-operatives over the three-year project period. With such a coverage, the project would reach about 2,400 co-operatives, or almost half the total number of agricultural co-operatives presently operating in Poland. Participating co-operatives would be selected according to the following criteria: (i) the active interest demonstrated by members (e.g., by participating in electing representatives to the management board), and (ii) the potential economic viability of co-operative activities. Initially, the services provided by the RCSUs would be

free of charge. Later, as demand increases, they would introduce service fees to cover part of their costs and provide services to co-operatives which are beyond the scope of the project.

The CDU and RCSUs will operate on a temporary basis until such time as a network of secondary (regional) and tertiary (national) co-operative service and apex organisations and co-operative-owned enterprises is established and/or fully operational.

The Relevance of the Polish Case

What is the relevance of the Poland case for other countries in Central and Eastern Europe? Before getting into these issues let me emphasise again an important point: we at the Bank do not yet have adequate firsthand information about co-operatives in Hungary, CSFR, Romania, Bulgaria, Yugoslavia, Albania, the Baltics, etc. Furthermore, before speaking about relevance, let me refer again to an important difference between Poland and most of the other ECE countries. The prevailing organisations in Poland are service co-operatives and not agricultural production co-operatives. These producer collectives are the number one issue in most of the other countries.

Does the different composition of the co-operative sectors in the other countries render the Polish case irrelevant? I don't think so. First, Hungary, Romania, Bulgaria etc. also have service co-operatives operating in rural areas. In Bulgaria, for example, some

of these service co-operatives are called consumer co-operatives. A better name would be trading co-operatives, because they buy and sell (in addition to consumer goods) agricultural inputs and products. Many of them are also involved in primary processing of agricultural products and the production of basic foodstuffs (bread, soft drinks). These consumer or trade co-operatives are very similar to the PSAs in Poland. During a recent visit to Bulgaria we basically identified the same issues at the level of the primary co-operatives that prevail in Poland: lack of member involvement, a supply attitude as compared to a business approach, and a lack of focusing services on member needs, etc. These co-operatives are as desperate as the Polish service co-ops to obtain some help in member education, training of staff and managers, management advice and so on.

However, there is one important difference between PSA co-operatives in Poland and the trading co-ops in Bulgaria. The secondary and tertiary structures of Polish co-operatives have been dissolved, while in Bulgaria you still have regional unions and, at the national level, the Central Co-operative Union (CCU). Therefore, industrial and trade chains related to this group of co-operatives are not broken, and primary co-operatives continue to receive some support services. These existing unions could serve as possible channels of externally provided TA, provided, however, that one could be convinced that they would be effective. We believe it is premature to

attempt to determine at this moment the efficiency of the existing unions.

At the present stage of our analysis and project preparation in Bulgaria, we would prefer a solution similar to the one being implemented in Poland. An independent service structure, possibly in the form of a foundation, with a small office in the capital and several service centres in rural areas. This service structure could be at the disposal of trade co-operatives, agricultural production and industrial co-operatives operating in rural areas, and perhaps also assisting other non-co-operative organisations operating in (or for) rural areas: medium-sized capital-based companies, chambers of agriculture, agricultural federations etc.

If agreements can be reached on these concepts, and resources be organised, Bulgaria might soon have a project similar to that of Poland. Therefore, the Poland case is, at least potentially, relevant to at least one other ECE country. It remains to be seen what the actual situation is in other countries and what kind of approach to externally provided assistance they would prefer.

Clearly for the case of agricultural production co-operatives, the Poland case is almost irrelevant. These co-operatives might best look for relevant experience to East Germany, where

all of the existing collectives need to be fully restructured by the end of 1991. Extremely valuable experiences have been gained already in this process, and these experiences are highly relevant to other countries. East Germany might also provide some relevant experience on the restructuring of service co-operatives.

In conclusion: the relevance of the Poland case is in areas related to

- (a) the general analysis of restructuring and development requirements of agricultural service co-operatives,
- (b) the preparation of an important and complex project that can respond to priority requirements, and
- (c) donor co-ordination (in this case, of two major organisations providing resources for Central and Eastern Europe, the European Community and the World Bank, as well as with some support from the US side).

In conclusion, although Poland can be a reference case for similar issues in other ECE countries, it cannot be a substitute for a comprehensive analysis of agricultural co-ops in each of the other countries, and the development of tailor-made programmes and projects for each of these countries.

Passports to Opportunity

by Joseph Perkowski*

The theme for this year's International Credit Union Week is "Credit Unions: Passports to Opportunity". Years ago, those with no other financial opportunities saw the necessity of creating an organisation that would meet the financial needs of ordinary men and women by applying the principles of co-operation. They were unaware that they would become pioneers who would change the course of many lives over the years.

The Pioneers

It began with the workers, weavers, and bakers of Rochdale who came up with an idea that serves us well today. As regards financial co-operatives - surely the dreams and early efforts of Germany's sons, Friedrich Wilhelm Raiffeisen and Hermann Schulze, have left an enduring impact, as did those of many others who further developed these ideas and adapted them to specific cultural, economic, and national needs. Some of these were: Durand in France, Desjardins in Quebec, Filene and Bergengren in the United States, Kang in Asia, Bailey in the Caribbean, and Quainoo in Africa. These



pioneers were people of conscience - who saw poverty and hopelessness and, instead of despair, developed an idea which took root and worked.

The New Dreamers

It is exciting to see that today credit unions are being discovered by those emerging from repressive political and economic systems - in both North and South. In these areas there are new dreamers who have just learned about the credit union idea and are taking in as much information as they can about the possibilities which credit unions offer to those striving to better their lives. They, like those before them, have seen the vision of a financial institution in which they can have a vote; in which they can be a member, can ask questions, and can participate voluntarily in directing matters which

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concern them, without regard for political, religious, racial, national, or other boundaries. In other words - the credit union "passport" is still clearing the way, offering people opportunities in democracy of which they never dreamed.

International Co-operation

As relates to Eastern and Central Europe, in efforts to make this passport known and available, we at the World Council have been actively responding to requests for information and working with our membership network. In addition, we can proudly say that we have also been co-operating with the ICA. One might ask why - with its existing international network and active development programmes and resources - WOCCU would feel it necessary to co-operate with the ICA in such an area. The answer is simple: because it is right.

The World Council of Credit Unions and the ICA - as part of the same family - have always found institutional forms of co-operation with each other. WOCCU is one of the international members of the ICA and has three seats in this central committee. The World Council and the ICA's Central Banking Committee have exchanged reciprocal observer membership. In CLICEC both of our organisations are represented as international organisations. In COPAC, the ICA and WOCCU are the only members which are purely co-operative non-governmental organisations.

The ECEC Programme

As you are aware, the ICA has begun a special programme for Eastern and

Central European countries (ECEC). It is of interest to note that particular emphasis is being placed on co-operative financial services and co-operative insurance. WOCCU, together with several of its member organisations, has made a conscious decision to participate in this programme.

Within this framework a credit union development workshop will be held in February, 1992 in Geneva. It will be organised jointly by the ICA and WOCCU, and we are proud to announce that the other major partner organisation will be the International Labour Office, through its co-operative branch. Present and potential partners and beneficiaries in the development of credit unions in the region will be invited to participate in this activity.

The International Credit Union Movement was first approached two years ago by representatives of the Executive Commission of Solidarity in Poland. Since that time, many more requests have been forthcoming from the region and WOCCU, in collaboration with several of its member organisations, has responded.

In general, we have provided as much information as possible and undertaken initial on-site information gathering in order to determine whether a viable climate for credit union development exists.

The Choice is theirs

Recognising the cultural, economic, and political differences from one country to the next, the role which WOCCU has to play is that of helping to offer a "menu" of ways in which the

credit union model has been applied to different cultures and environments. These then can be adapted to specific needs - as long as the basic operating principles are maintained.

So far development efforts seem quite promising: a foundation and staff are in place in Poland and enabling legislation has been passed - we are proud that this first new piece of legislation affecting co-operative development in the region was for credit unions. A promotion committee, grouping five different institutions and their networks has been formed in Hungary and is focusing efforts on legislation and promotion. Fact-finding missions have been undertaken to Bulgaria and various parts of the Soviet Union. One will soon be undertaken in the Ukraine. A group of independent entrepreneurs and co-operators are forming an organising committee from several of the republics in the Soviet Union. Requests for information are being responded to in each of the Baltic States, including the Prime Minister's offices in Estonia and Latvia. Interest has

also been noted from the Czech and Slovak Federative Republic. Basic credit union and WOCCU documents (such as The Credit Union Operating Principles) have been translated into Czech, Hungarian, Lithuanian, Polish and Russian.

Potential for Growth

The initial results are only evidence that there is real potential in the region for member owned and controlled financial institutions. The success of the process will simply be in the fact that viable co-operative financial services will be extended to areas where people want and need these services.

WOCCU will continue to play the role of a catalyst in the co-ordination of the activities of members interested in these developments. We will also continue doing everything possible to ensure co-ordinated development efforts with other organisations in order that others may be provided with the opportunities which we will certainly never take for granted.

ICA Co-operative Development Forum

Co-op Development in Africa - A Women's Perspective

by Bernadette W. Wanyonyi*

Co-ops and Food Self-sufficiency in Africa

Traditionally in African communities, women had the responsibility of ensuring the availability of food for the family while the men hunted or herded cattle and protected the family. Although these roles have changed with development, women continue in their role as providers of food. Rural women do not only provide food through subsistence farming but are also engaged in cash crop production; on the other hand urban women engaged in employment are still expected to provide food for their families.

Food self-sufficiency policies need to address the plight of women. When there is an insufficient food supply or famine, women suffer both physically and psychologically. In recent years, the world has seen through the media the horror of famine in Sudan, Ethiopia and Mozambique to mention but a few of the countries affected. Scenes have been witnessed with emaciated mothers holding equally emaciated children. Incidents have been reported of starving children attempting to suckle on the emaciated breasts of their dead mothers. These graphic examples show the pain women experience when there is insufficient food supply.

It is hoped that the structural adjustment programmes and the streamlining of issues affecting state and co-operative autonomy can alleviate food self-sufficiency problems.

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Co-ops and Structural Adjustment Programmes

Structural adjustment programmes were started in 1986 by the International Monetary Fund (IMF) for the purpose of assisting low income countries with their poor balance of payments.

The structural adjustment loan facilities given by both the IMF and the World Bank are highly conditional. The governments which qualify have to accept certain economic policies and strategies aimed at reforming the imperfections existing in their economies.

In summary, the loan facilities are granted provided that the benefiting countries agree to the following conditions:

- (a) Establish free markets both local and external.
- (b) Remove all import restrictions i.e. import duties and tariffs.
- (c) Establish flexible foreign exchange rates.
- (d) Give incentives to the private sector.
- (e) Remove subsidies on food, fertilizer, etc.
- (f) Revise agricultural prices and dissolve or reduce powers of state marketing boards.
- (g) Improve management, efficiency and financial performance of public enterprises.

With all these changes it is assumed that the economies of the recipient countries will improve. The loan element is expected to offset adverse

economic changes that may arise before the economic benefits of the reforms are realized.

Many countries in the Eastern, Central and Southern Africa Region are already implementing structural adjustment programmes. In this process a number of agricultural marketing boards are being restructured to become more efficient in order to achieve new goals of food self-sufficiency.

The new agricultural reforms advocated by structural adjustment programmes are gradually liberalizing and deregulating both domestic and foreign trade formerly monopolized by parastatal bodies. This has now created a climate of competition in the market.

Co-operatives have now the opportunity to integrate their operations from production to agro-based processing industries. This will increase the co-operative members' income with the added value. The agro-based processing industries will also create profitable markets for members' produce.

Finally, it is the wish of many co-operators that some of the viable parastatal organisations are acquired by the co-operatives to enhance full integration of their operations. However, careful analysis must be undertaken to ensure that co-operatives are not forced to take over the burden of financing and maintaining unprofitable enterprises.

The State and Co-operative Autonomy

The co-operative movement in developing countries has been growing since

its establishment under Co-operative Acts. The level of government control has, however, varied from country to country depending on the political system.

Governments find it necessary to control the operations of co-operatives mainly because of the following reasons:

- (a) The significant role and contributions the co-operatives make to the economic development of their countries. In Kenya, for instance, co-operatives contribute 45% of Gross National Product.
- (b) Co-operatives are a mass movement and enjoy more following than any other established organisations and, therefore, constitute a political threat to the establishment. Their economic might and the possibility of mobilization of the mass movement by politically conscious leaders calls for closer observation and regulation.
- (c) The mass movement has the disadvantage of having the majority of its membership illiterate and thus susceptible to mismanagement of the societies' resources, the consequences of which may affect the image of the government for lack of attention to public interest.

Means of Control

The operation of co-operative organisations in most developing countries is through statutory legislation of rules and regulations.

The important elements in the Co-operative Acts are:

- (a) Government control of registration and dissolution of co-operatives.
- (b) Government control of election of co-operative officials and procedures of their operation.
- (c) Government control of operation and management of co-operative resources.
- (d) Control of pricing policies through Statutory Marketing Boards.

Government and Co-op Development

The role of governments in the promotion and development of co-operatives will not diminish with relaxation of control on co-operatives. Governmental contribution could be directed towards more crucial areas such as providing a more conducive environment in which co-operatives can operate.

Formulation of co-operative development policies that provide guidelines on the role of co-operatives in National Development is paramount for the governments. At the outset, policies should delineate the responsibilities of the government and those of the movement. Ideally, the role of the government should be limited to:

- (a) Promoting co-operative development.
- (b) Providing supporting resources to co-operatives to enable them to attain their objectives.
- (c) Periodically reviewing legislation that inhibits the development of co-operatives e.g. those that govern marketing practices.

The government and co-operatives have the collective responsibility of promoting education and training for the members, committees and staff of the co-operative organisation to build a body of human resources capable of efficient management of the co-operatives' resources. This requires substantial government financial and technical support. Herein lies the need for external donor support through movement-to-movement collaboration.

Food Self-sufficiency

Co-operatives in Africa are mainly agro-based and, therefore, deeply involved in food production. Achieving food self-sufficiency can not therefore be divorced from co-operative activities.

Given that agriculture is the mainstay of most African economies, co-operatives play a vital role in food production. The majority of the population derives its livelihood from the agricultural sector with the bulk of the food production coming from smallholder farm owners. Since agricultural methods used in Africa are labour intensive, most of the work is done by women. It is estimated that women contribute 70% of the labour force in food production and therefore their role cannot be overemphasised. In terms of GNP, agriculture contributes between 30 and 60% of the various African economies and export earnings from agricultural production are in excess of 60%.

It is easy to see why African governments accord such a high priority to agricultural development. However, in the past a lot of emphasis was placed on cash crop production at the ex-

pense of food production. Today Africa finds herself in a position where rapid population growth has outstripped food production capacity.

Many countries that were formerly net exporters have now become dependant on food aid from the Red Cross and other donor agencies during emergencies. Importation of food is further complicated by the scarcity of foreign exchange due to the declining export value of the traditional cash crops.

Increased food production has been affected by three main factors:

- (a) Unfavourable weather conditions.
- (b) Unfavourable international development policies towards producer countries.
- (c) Inappropriate agricultural policies in developing countries.

With the help of the IMF and the World Bank, African governments have initiated reforms aimed at achieving food self-sufficiency. In East, Central and Southern Africa regions these reforms have the following objectives:

- (a) Attaining and maintaining self-sufficiency in the production of basic foodstuffs - cereals, livestock and horticultural products.
- (b) Diversifying agricultural production from the traditional cash crop into a variety of food crops so as to expand the base for domestic food security as well as export.
- (c) Restructuring existing agricultural marketing system with a view to improving efficiency of marketing agencies and increasing payment to producers. The gradual liber-

alization and deregulation of domestic as well as export trade from parastatals to the private sector is also in process. The removal of monopolistic tendencies is now opening the door to co-operatives, which formerly had a very limited role. A multi-channel marketing set-up where competition is practised is expected to stimulate production. These new changes are already showing positive production changes in the region.

The Role of Co-ops

A fact that should be appreciated at the outset is that co-operatives contribute more than 50% of agricultural production in most African countries. The role of co-operatives in agricultural development in Africa constitutes the following tasks:

- (a) Production which includes provision of farm inputs, credit facilities and extension services.
- (b) Primary and secondary processing of agricultural produce.

To-day co-operatives are recognised by their respective governments as the most appropriate avenues of improving both agricultural productivity and the economic wellbeing of the individual small-scale farmers. Their potential in future food production is equally recognised.

The emphasis previously placed on cash crops must now be balanced with food production policies geared to meet the ever-increasing demand. This demand will place more responsibili-

ties on the women's role as food producers. This will definitely require deliberate policies by the various governments to ensure that women are recognised as the mainstay of the food production labour force, and that programmes are initiated to enhance and reinforce their role. These deliberate policies should ensure that:

- (a) Women are accorded equal opportunities in pursuance of formal education to raise the literacy level.
- (b) Opportunities are opened for them to pursue professional training, to acquire skills which encourage the utilisation of modern technology in agricultural production.
- (c) Co-operative laws which imply denial of women's active participation in all areas of co-operative organisations are reviewed and modified to ensure that women are represented at all levels - production, management and policy making.
- (d) Women should be direct beneficiaries of the returns on the agricultural produce. This will enable women to use the money to improve the living standards of their families.
- (e) Essential facilities such as water and cooking fuel are easily accessible to enable women to concentrate on food production through their primary co-operatives.
- (f) Women are consulted by government in all important areas which affect them, e.g. implementation and administration of women's projects.

- (g) International donor agents are encouraged to fund projects which ensure the direct involvement of women.
- (h) Women are trained to become environmentally conscious while engaging in food production activities. Modern agriculture requires utilisation of many dangerous chemicals to boost the output. This must be done conservatively, with environmentally friendly techniques.
- (i) In areas which are chief cash crop producers, adequate land should be set aside for food production.
- (j) Women are informed about the importance of insurance and risk management. They should be aware of the various insurance products available for their protection personally and their properties. Insurance in Africa is generally misunderstood, which leads to mistrust. However, with proper risk management seminars, the need for insurance especially in modern lifestyles will be appreciated.

Food production and sustaining food self-sufficiency is an activity in which

everybody should be involved. Traditionally, this was left on women's shoulders, but now, in order to meet the demand of providing enough food for the continent, it has to be a collective effort by all.

With the increased participation of co-operatives in food production and increased co-operation among co-operatives internationally the road to food self-sufficiency could be less bumpy. The bottom line is that the involvement of women at the grass-roots level in food production is recognised and appreciated.

A Common Goal

We as co-operators come together with the objective of solving our problems collectively for the common good at the primary society, local union, national apex bodies or international forums. We are running a race together to achieve better living standards the world over. It is not important that one winner emerges but that we all cross the line. Let us, then, join hands in addressing the problems which hinder food self-sufficiency in the world in general and Africa in particular. Let this be our mission.

Food Self Sufficiency and the Role of Co-ops in West Africa

by the ICA Regional Office for West Africa

An Overview of the Region

Before we start on the presentation and analysis of co-operatives and food self-sufficiency policies in West Africa, it is necessary to situate this geographic region in order to better comprehend the facts and constraints.

West Africa comprises Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, the Gambia, Guinea Bissau, Guinea Conakry, Ghana, Liberia, Mali, Mauritania, Niger, Nigeria, Togo, Sierra Leone and Senegal.

It is characterised by historic, geographic, human and economic diversities.

- Out of the sixteen countries, nine are former French territories, five are English and two are Portuguese. This historical situation implies different linguistic, political, administrative and co-operative realities.
- The region is subdivided into two major climatic and ecological zones with different potentials. The savannah zone with six Sahelian countries is characterised by an arid and semi-arid climate with poor soils, inadequate (less than 150 to 1300 mm) and irregular rainfall

which is badly distributed in time and in space (3 to 4 months a year). The consequences are soil erosion, deforestation, desertification, food shortages and, sometimes, local famine. Food imports and food aid are frequent. In 1988, Burkina Faso, Mali, Niger, Mauritania and Senegal imported close to 1,068,000 tonnes of cereals of which 243,000 tonnes were food aid.

The second natural zone is composed of eleven countries with climatic and ecological conditions that are more favourable for agriculture (two rainy seasons a year). The levels of rainfall vary between 300 and 4000 mm a year. Certain areas have forest zones with more abundant vegetation. However these countries have some savannah zones and are subject to industrial deforestation.

Despite their considerable agricultural potential, in 1988, Nigeria, Ghana, Côte d'Ivoire and Guinea Conakry imported close to 783,000 tonnes of cereals.

- The diversity of the region is also human and spacial. Guinea Bissau, the Gambia and Cape Verde

had each less than one million inhabitants in 1988 whereas, Nigeria had a total of 110 million inhabitants over an area of 924,000 km² and Mauritania had 1.9 million inhabitants over 1,026,000 km².

The sociological, ethnic, linguistic, religious and cultural realities are very varied. The modes of social organisation are also therefore very different.

- Economically, seven francophone countries are united by a common convertible currency, guaranteed by the French franc. The other countries use local currencies which are not convertible. The consequences of this factor are an economic and monetary diversity and instability as well as low levels of trade in the region.

Most of the countries are involved in programmes of structural adjustment, political democratisation, government divestiture and privatisation of their economies. This has, of course, brought about economic and social changes for the civilian society, private enterprises and co-operatives.

Food Self-sufficiency in West Africa

For many years, the development of the countries of the region was analyzed and measured in terms of GNP, international aid and growth in export products. When the Sahel countries were hard hit with drought in the 1970s and countries in the region were affected by the economic crisis of the 1980s, political leaders and the intellectual elite became aware of a new dimension of development, which is

the satisfaction of the essential needs of the people.

The food problem has been brought to the forefront of national priorities owing to droughts, famine and shortfalls in export products (coffee, cocoa, cotton, groundnuts, etc.). A report published in February 1986 by the World Bank on poverty and hunger stated the following: "Malnutrition is very expensive for families and nations. It increases vulnerability to diseases and parasites. It makes its victims unfit for tasks requiring physical effort. It diminishes the benefits of education and training. The effect of all these is to reduce people's productivity in the short- and long-term: production and revenue suffer and it is more difficult for families and nations to break the cycle of poverty."

The objective and content of food self-sufficiency is, therefore, to find a balance between national food production, domestic consumption and population pressure. Food self-sufficiency requires a transformation of ideas and behaviour in both the rural and urban areas involving co-ordinated sectoral strategies in agricultural production, food security, potable water supply, education and health.

Despite the priority nature of food self-sufficiency there is often a manifest difference between policy and concrete actions. As an indication, the proportion of national budgets allocated to agricultural production support programmes often hardly exceeds 6% of the total volume. On the other hand, cash crops are better favoured in the allocation of resources.

Before the application of structural adjustment and economic liberalisation programmes, many governments decided to fix the cost price of foodstuffs according to the purchasing power of city dwellers and not the real cost of agricultural production. Although this encouraged political stability in the cities, it discouraged food production.

At the regional level, no form of co-operation in the harmonisation of national policies, agricultural production, prices and import/export of foodstuffs was developed or applied effectively. Each state behaved as if it were self-sufficient.

At the international level, it was easier to negotiate external funding to support cash crop development programmes rather than those related to cereal production.

Although international food aid is indispensable in a situation of famine and natural disaster, it also has constraints and consequences for national food self-sufficiency policies. The major risks are:

- political dependence;
- the reduction of incentives for farmers to produce food crops;
- the modification of consumers' tastes by making them prefer imported foodstuffs, such as white rice, noodles and bread made from wheat, to local products.

Role of Self-promotion Organisations

Self-promotion organisations in West Africa are composed of co-operatives,

pre-cooperatives and traditional informal organisations. Despite the constraints, shortcomings and difficulties, these organisations fulfil very important functions in the development process. Co-ops are involved in economic, social and cultural activities, in the area of education (Côte d'Ivoire, Senegal), publishing ("Jama" in Mali) and drama (Burkina Faso). They also play an important "political" role even if sometimes they are not aware of their real power or do not know how to use it.

Rather than through violent or mediatory actions, the discontent of African co-operators to certain decisions and practices imposed on them are often expressed through "co-operatives without co-operators" "increasing outstanding debts" or "partly executed or unexecuted plans".

The co-operative is like a weapon whose importance and effectiveness depend on the promoters and users and not on the institution.

If co-operatives had not existed in West Africa, it would certainly have been necessary to create them.

We must not lose sight of the fact that there are no rural trade unions and that co-operatives constitute the sole means of organisation and expression at the rural level.

Indigenous Self-help Organisations

The co-operative experiments carried out during the colonial era and during the early days of independence, the 1970-1973 drought which encouraged

the massive intervention of non governmental organisations in the Sahel, as well as the options taken by governments to promote the development of countries through the endogenous or community approach, resulted in the establishment of indigenous forms of rural self-promotion structures. This is the case of groups such as the "naam" in Yatenga, Burkina Faso, "tons" in Mali, "tabanca" in Cape Verde, "kagnalene" in Senegal, development self-help groups and associations in Côte d'Ivoire, "nnoboa" in Ghana and "esusu" in Nigeria.

Traditional Community Self-help Structures

African societies have always been organised at the village level on the basis of kinship and territorial or associative structures which vary according to regions and customs. They all play self-help, solidarity, social security and even economic roles.

The first problem of traditional self-help structures is their life-span which lasts a season or two and their limited and informal nature. Development requires programmed and long-lasting actions as well as permanent structures with well-defined objectives and resources.

In addition, although their informal nature and functioning give them a certain dynamism, it is also likely to handicap them in their dealings with modern economic institutions such as banks.

The absence of written statutes or by-laws makes the settling of internal conflicts very difficult and often en-

courages fraud and the abuse of confidence, particularly in the cities.

Membership in the traditional structures is preconceived or predetermined since it is essentially based on family ties and territorial membership, and socio-cultural functions often take precedence over economic ones.

Additionally, the penetration of the modern world into the rural areas poses a certain number of new problems that the traditional structures are not always capable of handling.

Role of Co-ops at the Economic and Social Level

In the sixteen countries in the sub-region a total of 44,317 co-operatives bring together close to 5,698,732 members.*

Agriculture

In all the countries, co-operatives and pre-cooperatives play an appreciable role in the agricultural sector with respect to the supply of inputs, production itself and marketing.

In Niger during 1991, the "Centred'Approvisionnement" co-op managed inputs for the rural world amounting to CFA Francs 804,811,000. In Côte d'Ivoire, co-ops and village groups market approximately 20% of the coffee and cocoa production and 82% of the cotton production.

In all the Sahel countries, rice and vegetable production is ensured by

*Owing to difficulties in the collection of statistical data in the region, we ask for caution and discernment with regard to figures used.

co-operatives. In Mauritania about 10,000 to 20,000 tonnes of rice are produced each year by the pre-cooperatives, which also provide between 10 and 15% of the total fish production. In these countries, the cereal banks managed by the village groups play two very important functions during the lean season: they provide quick supplies to the people and stabilise prices on the local markets. In Senegal, there are presently 613 cereal banks of which 408 are operational. They sold foodstuffs worth about CFA Francs 350 million from their own working capital. In addition, they created a security stock of 3,470 tonnes for their members. Knowing the vital nature of cereals and the famine-related risks during the lean season, the importance of such cereal banks goes without saying.

In Burkina Faso, proceeds from drought equipment and animals loaned out under the drought farming programmes by village groups amount to more than 500 million CFA Francs/year. The rate of repayment for drought farming equipment loaned out within certain village groups is 90 to 100%.

When agricultural produce is marketed, the groups and co-operatives charge commissions or fees which are often re-invested in socio-communal amenities for the villages. In Côte d'Ivoire, it is estimated that about CFA Francs 12 billion have been invested.

Credit Banks

In the savings sector, the experience is modest but encouraging in the Francophone countries. Savings and credit co-operatives are more in number and

more dynamic in the Anglophone countries.

In Côte d'Ivoire, the savings and credit co-ops have been able to mobilise about CFA Francs 300 million in savings whilst several tens of billions have been injected into the rural world through the marketing of coffee, cocoa and cotton. There is, therefore, a great potential for savings which could be mobilised. Even in poorer regions such as Burkina Faso, in 1984, 126 savings and credit co-operatives were able to mobilise more than 300 million CFA Francs. The 1988 annual report of the World Council of Credit Unions indicated that in Ghana, there were deposits of US\$ 2,012,286 for 60,217 members whilst, in Liberia, the 18,580 members of the 65 credit unions mobilised US\$ 9,006,004.

Employment

It is estimated in Côte d'Ivoire that about 10,000 permanent jobs are created by the agricultural co-operatives which pay 407 million CFA Francs in salaries. In Liberia, close to 250 permanent jobs are created. In the Sahel countries, vegetable and rice growers' co-ops procure many occupations and considerable income for farmers during the dry season.

Artisanal Co-ops

Experience in the artisanal and small industries sector is modest. The women's groups and co-operatives are very active in the primary or artisanal processing of certain foodstuffs, e.g. processing of groundnuts and palm kernel into oil, drying and smoking of fish, milling of cereals, etc. In Niger,

more than 250 millet mills are managed by women's groups and co-operatives.

Co-ops and the Environment

In many Sahel countries, the village groups and co-operatives contribute to protecting the fragile environment by planting trees and building anti-erosion embankments to control desertification.

In the same regions, these self-development organisations build or maintain wells and bore holes to supply safe drinking water to the people and livestock.

Economic Problems and Management Constraints

Co-operative management problems originate from economic and social constraints. The success of a co-op depends on the symbiosis between the economic activities and the moral and social behaviour and satisfaction of co-operators. Hence, the importance of co-operators' training as well as their participation in the life, management and democratic control of their institution.

The management committees are generally composed of illiterates (rural areas) or people who are not properly trained to fulfil their functions. They are not always elected because they are good co-operators or good managers, but rather because they belong to the political, economic, religious or local elite.

When the co-operative is manned by officials and salaried or state-assigned staff, there are conflicts with the Management Committee as the dele-

gation of powers is not always effective within the co-operatives.

This monopoly of power by a minority and the holding of several offices by some Chairmen obstructs the functioning of several co-operatives. The Management Committees are not always renewed as stipulated in the statutes and the older committee members are often not interested in training.

The auditors and loan communities have very similar problems and constraints to those of the Management Committee.

Illiteracy, lack of skills training and the social status of the members of these two organs constitute serious handicaps. Hence, the lack of internal controls.

The auditors who are technically assisted by experts and specialised institutions encounter fewer problems in carrying out their duties.

At the organisational level, the co-ops in West Africa are structured according to the Western model or that of private enterprises. The problem of inadequacy thus arises between the structural organisation and the objectives and realities of African co-operatives.

Directors of co-operatives are generally over-burdened with work either through failure on the part of committee members or through the lack of delegation of powers by the Director to his collaborators or the lack of skilled staff to work alongside the latter. When the co-operatives are manned by competent staff, they are poorly re-

munerated and do not benefit from any status or security. This encourages embezzlements.

To carry out its objectives, the co-operative assumes several functions and experiences difficulties and constraints in implementing them.

Production Constraints

Co-ops also experience difficulty in obtaining sufficient good quality raw materials. When these are available, they are so expensive that the selling price of the finished product is not competitive. This is worsened by the fact that the lack of planning, co-ordination and economic calculation do not make it possible to determine and influence the unit cost.

Technical equipment is usually dilapidated and does not enable the co-operative society to diversify its production and be adequately competitive on the supply market.

When a co-operative decides to invest from capital stocks, the economic feasibility and profitability studies are not always conducted.

Marketing Constraints

The only co-operatives that do not have difficulty in disposing of their produce are those that produce cash crops. This can be attributed to the intervention of government marketing companies and agencies which have a monopoly over such products. This situation is changing as a result of structural adjustment programmes and the disengagement of governments. All the other co-operatives are con-

fronted with problems of selling off their produce owing to the lack of reliable information and knowledge of marketing techniques. The most often expressed need is that of establishing external trade links. Within the vegetable growing or agricultural supply co-operatives, problems are related to collection, storage, transportation, packaging and quality control.

Since the members do not know their needs and capacities, the co-operative societies cannot effectively plan supply or sales.

Another cause is the lack of skilled staff and working capital. Many co-operators who produce without being able to dispose of their goods start to lack confidence in their co-operative society.

The last marketing-related problem is that of the huge losses of stocks due to poor management, embezzlement and bad packaging.

Financial and Accounting Problems

Inadequacy of Share Capital

The share capital of a co-operative is as important as the foundations of a house.

Within co-operatives in the region, the share capital is inadequate in relation to their objectives, activities and financial requirements. Shares are fixed at the time of establishment according to the financial capacity of members. However, several years later, the share capital remains at the same initial level

without any increase either from new subscriptions or the appropriation of reserve funds.

The inadequacy of share capital can be attributed to several causes:

- In the Francophone countries, the share capital of agricultural co-operatives had, until recently, to be deposited with a state-owned or semi-public bank to serve as a guarantee for loans. This share capital was not remunerated and the loan terms were inaccessible to co-operatives. Because of government disengagement from co-operatives, this stipulation is in the process of disappearing.
- Co-operatives whose activities generate surpluses generally tend to prefer the sharing of returns to the constitution of a reserve fund partly owing to the difficulty in obtaining loans for health, education, etc.
- State subsidies inhibit the spirit of co-ownership among members. The ongoing structural adjustment programmes in the countries tend to cancel out any form of subsidy which could help make the co-operators more responsible.
- Co-operators lack education and training in financial and investment issues.

Accounting Constraints

The major constraints of co-operative accounting in countries of the region are the following:

- National accounting systems were designed for private enterprises

with profit-making objectives. Co-operatives have difficulties in conforming to them.

- In certain countries, legal provision has been made to design suitable accounting systems for co-operatives but such measures have not been applied due to lack of financial and human resources.
- The Co-operative Movement cannot recruit or keep highly qualified staff owing to unattractive conditions of employment as compared to the other sectors. The establishment of a pool of highly skilled accountants within the Regional Unions could help mitigate this shortcoming in the primary co-operatives.
- The aforementioned constraints result in a shortage of accounting and financial data and documents, and resulting errors in decisions which should be based on such documents.

The technical agencies responsible for supervising the accounts and management of co-operatives are faced with the same constraints.

An examination of the balance sheets and operating accounts of co-operatives reveals the following:

- imbalance between income and expenditure which accounts for the perpetual problem of insufficient cash and working capital;
- poor control of variable expenditure and expenditure per product for multi-purpose co-operatives;

- fixed operating expenses seem high in relation to the flow of economic activities which are often seasonal;
- insufficiency of share capital in relation to external capital;
- low depreciation, hence, the difficulty in replacing equipment.

Owing to the lack of skilled personnel, projections and inspections and the necessary communion between co-operators and their enterprise are lacking. As a result of this, certain decisions such as the commercial terms of payment granted to members or the policy of returns have adverse effects on the financial health of the co-op. Co-operators are not always aware of this, hence the need for sensitizing and educating members.

Development is the Key

The constraints outlined above are not only due to the inappropriate form of co-operative organisations but also structural and political problems inherent in "Underdevelopment".

The economic crises of recent years have emphasized the precarious nature of private, public and even State-owned enterprises as organised systems of management.

Without co-ops the economic and social situation of the rural people would have been worse, as there are practically no agricultural trade unions or other forms of associations for the protection of their interests.

A report on development in the world in 1990 stated that "by the end of the century, sub-Sahara Africa will have

more than 30% of the poor in the developing world as against 16% in 1985". The same document notes that "successful actions for combatting poverty are usually those in which the poor themselves have participated in their conception and implementation". This participation can only be possible within the framework of freely established and democratic organisations that are managed by the people themselves. Hence, the importance that must be given to co-operatives, village groups and other forms of self-development organisations.

This report concludes that "the world is at a turning point: geopolitical tensions are rapidly relaxing. A unique opportunity thus offers itself for reducing military expenditure and increasing international aid. The resources exist but then, they must be utilised judiciously".

New Opportunities

The political democratisation and economic liberalisation process in West Africa is creating a new environment and offers new opportunities that are favourable to the development of co-operatives in the region. These new conditions offer themselves to both co-operatives and national or international private companies.

Do our co-operatives and groups which, in 90% of cases, are composed of small-scale farmers, women, craftsmen and often illiterate and low-income savers have the resources to face the competition from individual and legal entities which are better endowed and more experienced in the management of business?

The answer to this question can be in the affirmative provided strategies, resources as well as institutional and material support are given to them.

Hence, the importance of the strategies and actions undertaken by the International Co-operative Alliance through its Regional Offices which act as catalysts.

Setting Priorities

In the light of the constraints mentioned above and the realities of the sub-region, the priorities of the co-operative movements can be summarised as follows:

1. Analysis, adaptation and amendment of co-operative legislation, taking into account the political, economic and sociological changes in each country.
2. Support to the consolidation of co-operatives in the areas of strategic planning and management in order to make these organisations more competitive within the context of

the liberalisation and privatisation of economies.

3. Training of Management Committee members and technical staff in view of governments' disengagement from co-operatives as well as competition on national markets.
4. Support to the emergence of second- and third-level co-operatives, nationally.
5. Support to interco-operative interaction in trade, persons and experiences. To be able to do this, it is essential to establish a Regional Co-operative Data Bank to promote the collection and dissemination of information.

All these priorities are contained in a five-year (1990/1994) planning document approved by the representatives of co-operative movements in West Africa which, it is hoped, will contribute to making the region self sufficient in food production by the year 2000.

Government and Co-ops: The African Experience

by V. M. Lubasi*

Background

Co-operation is a concept which has not remained European but has spread to cover many parts of the world. It is important to note that co-operatives in Europe and North America developed in an environment different to that of Africa. European co-operatives were formed by generally underprivileged individuals with the aim of wanting to fight against exploitation by the industrial and commercial powers. Governments of the independent African states recognise co-operatives as instruments for economic and social development. They are therefore promoted to provide an alternative institutional arrangement for conducting the economic affairs of a nation.

Co-ops in National Development

A co-operative could be defined as an association of persons who have voluntarily come together to achieve common economic goals through a *democratically controlled organisation*,

with equitable contribution to capital and equitable sharing in risks and benefits accruing from the business. Co-operatives are, therefore, economic organisations whose activities are devoted to the economic and social welfare of their members by providing services which enable them to realise their ideals. In essence this means that co-operatives are not only motivated by desire for economic benefits, but also by the need to uphold the human dignity and social welfare of their members.

In modern co-operative science co-operative societies are no longer defined by ideas or principles but rather by their typical organisational structure. They are characterised by their double nature as a group of persons and an enterprise.

This definition is made up of basic elements that determine the structure:

- * A group of persons with at least one economic interest in common.
- * Motive for working together in the group, which is the desire to improve one's own situation by means of solidarity, self-help or mutual assistance.
- * The means to achieve this aim, which is to establish a jointly financed and managed enterprise, and

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* The object of the co-operative enterprise which is to promote the economic position of the members' enterprise.

Co-operatives in Africa

Generally speaking, the majority of co-operative members in Africa are small farmers, small craftsmen, people operating in the informal sector and members of vulnerable groups, such as poor urban and rural families, women, young people, refugees, displaced people, etc. These groups have very few resources at their disposal, and need assistance in order to find solutions to their problems.

Co-operatives have been used for many tasks: to distribute rural credit, to market agricultural products, to mobilise personal savings, to provide services to disadvantaged groups, to take over uneconomic enterprises, to distribute land, and to distribute essential commodities. The frequent lack of member participation in or commitment to the activity, a fundamental precondition for successful co-operative development, has resulted in numerous failures.

As a consequence there has emerged a feeling among development practitioners that co-ops have generally failed as instruments for economic and social development. And yet, if we went by the principles of co-operation, the majority of those that failed are those that were sponsored by governments.

The Role of Governments in Promoting Co-operatives

One major reason why governments

take interest in promoting the development of co-operatives is, as a rule, the reputation co-operatives have gained in being an efficient instrument in the solution of economic and social problems and in being an agent of socio-economic progress. Co-operatives are identified as a key component in bringing about economic and social development.

More than any other form of privately owned enterprise, co-operatives share with governments many of the same values and goals - the desire for equitable distribution of economic wealth, a concern for social issues, emphasis on domestic economy, etc. And as a result they frequently benefit from special taxation and other privileges.

Because of the importance that some governments attach to co-operatives, some have created Ministries for Co-operative Development, and in some countries co-operative apex organisations have been affiliated to the ruling political parties. This has been the case in some single party regimes. And in cases where governments have been more than enthusiastic to promote co-operatives, the challenge has been whether the product should be self-help co-operatives or state controlled co-operatives.

In the keynote address at the 3rd ICA Africa Ministerial Co-operative Conference held in Nairobi, Kenya, in May 1990, the ICA President said "At ICA our view has always been that only strong independent co-operatives can be said to be genuine co-operatives. Indeed, experience has shown in many countries that attempts by governments

to control co-operatives has led to weaker and weaker organisations. This has mainly arisen because of a conflict of interest on the part of the co-operators and government officials which has led to lack of unity of purpose”.

Government and Co-ops

In virtually all developing countries, the relationship between co-operatives and governments is of key importance for the success of the co-operative movement. Not only support, but the right kind of support is required. Increasingly, co-operative and government leaders alike are recognising that previous forms of collaboration may not have been the most appropriate if the independence and self-reliance of the co-operative movement are to be fully respected.

A more appropriate kind of partnership between co-operatives and governments is one of the most important pre-conditions for successful co-operative development. In some countries it is not only necessary to formulate effective co-operative policies, but also to create a conducive legislative environment. If governments are to relinquish control of the promotional aspects of co-operative development, education and training, publicity, and so on, co-operatives should then establish strong structures to take their place. Co-operatives should succeed in being member controlled organisations.

There is no doubt that in Africa co-operatives have proved to be vehicles for development. Faced with problems of drought, co-operatives have established infrastructures for crop

purchasing and farm requisite distribution. Members of credit unions have been known to obtain loans with which to replenish stocks looted in violent change of regimes. To be more effective, co-operatives need to develop strong structures at primary, secondary and tertiary levels. Co-operatives and governments will have to go for collaboration rather than confrontation, because both governments and co-operatives realise that co-operatives will make their greatest contribution to development only if they are allowed to function as real co-ops.

In conclusion I would like to quote from the record of the report of the Committee on Co-ops at the ILO Seventh African Regional Conference held in Harare, Zimbabwe, from 29 November to 7 December 1988 on the role of governments in the field of co-operative promotion: “African member states should therefore reorient their approach with regard to co-operative development and should, in consultation with co-operative movements and workers’ and employers’ organisations.

- (a) Design national co-operative development policies in accordance with Recommendation No. 127 which calls for assistance (financial and otherwise) without interference in the internal affairs of the co-operative;
- (b) Create an economic environment which would enable co-operatives to achieve self-reliance;
- (c) Revise existing co-op legislation in order to adapt it to new situations resulting from (a) and (b) above.”

Housing Co-operatives in Eastern Germany

by Dr. Claus Jürgen Hachmann*

A Statistical Survey

On 31 December 1990 the Gesamtverband der Wohnungswirtschaft, GdW, (German National Federation of Housing Associations) carried out a statistical survey of the housing organisations in Eastern Germany. It was a general survey comprising all of the approximately 1,100 such organisations. This special survey is the first of its kind the GdW has carried out in the eastern part of Germany. It is intended to be the basis for reliable statistics which will be compiled during the coming years and will be valid for the new German states, and will serve the GdW as a basis for political discussion, especially with the housing ministry and the general public. Furthermore, politics, press and science will take an interest in the outcome.

The political and economic measures taken so far in the Eastern German housing sector have to be extended in order to effectively initiate and stabilise an improvement of the housing situation.

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In nearly all sectors, reliable economic outline conditions are still missing, conditions which the housing organisations need urgently to work effectively in the interest of tenants and co-operative members.

Gesamtverband der Wohnungswirtschaft, GdW, (German National Federation of Housing Associations) is now presenting the first results of an area-covering investigation on the economic situation of the 1,120 housing organisations in Mecklenburg-Vorpommern, Brandenburg, Saxony, Saxony-Anhalt, Thuringia and East Berlin. These housing organisations which manage 3.4 million rented and co-operative housing units, are members of the GdW through their regional federations.

Eighty-five percent of organizations polled completed the questionnaire. Of the 930 organisations which replied, 655 were co-operatives. The data analysis showed the following:

Housing Stock

The 930 organisations questioned have a stock of 3 million housing units between them, 1 million of which belong to co-operatives and 2 million to municipal housing associations. These figures correspond to nearly 90 per cent of the publicly known number of 3.4 million co-operative and municipal dwellings in the former GDR. The smallest co-operative is in charge of 8 housing units, the biggest municipal housing association, KWU in Leipzig, has a stock of 186,000. The average size of the co-operatives amounts to about 1,600 housing units (former FRG: 900 housing units), those of the municipal housing associations to about 7,200 dwellings (former GDR: 3,800 housing units). This comparison shows that in the former GDR the organisations are considerably larger than in the former FRG, a result of the centralization, most obvious in the sector of the formerly state-owned housing stock.

The so-called privatisation of dwellings has become a popular slogan. However, the initial enthusiasm that it would solve all problems has already ebbed away.

The GdW study points out that the privatisation of the housing units of the state owned or council housing has to be viewed differently to that of the housing co-operatives.

Dwellings not owned by the organisations, or dwellings which will change ownership, present special problems. For example, private housing units, which had been held in trust or had been managed under private law by state-owned housing associations before unification, and housing units for which (West) Germans or foreigners are now claiming restitution or reassignment. Ten per cent of the KWU dwellings (approximately 200,000 housing units) are either held in trust or run under private law by the municipal housing associations. The owners of another 25% of the registered KWU dwellings (approximately 500,000 housing units) could not be identified beyond doubt. They represent the largest number of dwellings which will be privatised by returning them to their former owner. The public housing stock is thus expected to be reduced by at least 700,000 dwellings. Careful assessment and investigation is required to ascertain whether it is possible to develop serious privatisation schemes for the tenants of the remaining dwellings.

It has to be emphasised that these problems mainly refer to the KWU; co-operatives have very few dwellings held in trust or managed under private law and face hardly any reassignment claims. Co-operatives are private organisations, where joint private property is managed under self-management. To restore the co-operatives their original rights according to the Co-operative Societies Act of the Federal Republic of Germany, an enormous privatisation scheme is required in the housing sector of east-

ern Germany: 1.2 million co-operative members will obtain permanent usufruct rights on their dwellings and will have a share in joint private property.

This would be the biggest "privatisation scheme" in German history. Co-operatives are self-help organisations; they are organised according to democratic principles and their members are co-owners of the co-operative and its housing stock. The time has come for politicians to acknowledge this problem and to quickly transfer the land to the co-operatives.

Working on the assumption that 700,000 dwellings of the former VEB/KWV (state-owned or council housing) and 1.1 million dwellings of the housing co-operatives will be "privatised" in this way, then a good part of the long road to the social market economy in the housing sector has already been covered.

Age of Housing Units

Nearly 1 million of the 3 million housing units represented in the survey were built before 1949. Most of the older buildings (90%) are owned by municipal housing associations. Only about 100,000 of these older buildings are managed by co-operatives.

The 2 million dwellings built after 1949 (for the most part prefabricated dwellings with the typical rehabilitation problems linked to this special building system in the former GDR) are being managed, in more or less equal numbers, by co-ops and housing associations.

In the second half of 1990 the housing organisations took over approximately

20,000 new dwellings, 5,000 of which were taken over by the co-operatives. In 1991 they plan to include a comparable number of dwellings of which construction started in 1990 - far too few when considering the present housing shortage and the enormous need for rehabilitation and modernisation.

The reporting organisations also plan to construct 14,000 dwellings, with co-operatives accounting for almost 4,000, almost exclusively rented flats in apartment blocks. The estimated building costs are DM 1 billion. However, the final decisions regarding the financing and calculation of this programme have yet to be made.

Amenities

Nearly 1.5 million dwellings of the registered housing stock are equipped with a communal heating system (40 per cent) and supplied with distant heating. Some 500,000 dwellings (36 per cent) are equipped with a central hot water supply. These dwellings are likely to belong to the newer buildings constructed after 1949. 2.2 million dwellings (74 per cent) are equipped with a bath or shower, which means that approximately 800,000 dwellings, i.e. 26 per cent of the stock, have neither bath nor shower. Similar conditions prevail with regard to toilets. 2.4 million dwellings are equipped with toilets (79 per cent), whereas 600,000 dwellings, i.e. 21 per cent of the dwellings in old buildings, still have their toilets outside. Due to the fact that 90 per cent of the co-operative housing stock consists of new buildings, their standard of accommodation is far higher than that of municipal housing

associations, which have to cope with the heritage of the old buildings, especially with regard to heating and sanitary facilities.

The corresponding West German number of dwellings without bath, shower or indoor toilet is 1 percent of a total of 26 million dwellings.

The conditions in the former East Germany are comparable with the conditions in West Germany in 1968 - this means a developmental backlog in modernisation and refurbishment of more than 20 years, especially with regard to the older buildings.

Uninhabited Dwellings

The overall level of dwellings within the recorded housing stock which are not currently occupied is 90,000, almost all of which are under the management of municipal housing associations. This is a relatively high amount; almost 5 per cent of the stock. More than half of these are unfit for habitation due to structural damage. Only 0.3 percent of the housing co-operatives' dwellings are currently unoccupied.

Rents and Service Charges

Although the Federal Government's rent calculation reform which took effect on 1 October 1991 is most welcome, it will not solve the problem of adequate cost coverage.

The rents, which were frozen until 1 October 1991, represented an average of DM 64 per housing unit, including service charges, heating and hot water. This was an average rent of DM 1 per square metre. From 1 October 1991 the basic rents were raised by an

average of DM 1 per square metre to DM 2 per square metre, i.e. about DM 128 for an average-sized dwelling. But, even when this increase is taken into consideration, rents are far from covering costs.

Therefore, it is necessary for the Federal Republic and the 'Länder' to provide subsidies for the organisations until they are able to cover their costs.

According to calculations, the service charges excluding heating expenses (garbage collection, water, sewage, land tax, etc.) amount to an average of DM 83 per dwelling for 1991. This works out at DM 1.30 per square metre for an average-sized dwelling. It must also be taken into account that these average figures are subject to large variations depending on the individual estates and regional differences, e.g. in conurbations. In East Berlin, for example, the average difference amounts to DM 2.50 per square metre.

Since 1 October, the service charges could be allocated to the individual housing units. The maximum charge for heating and hot water costs has been fixed at DM 3 per square metre, and this causes problems.

Costs for heating and hot water amount to an average of DM 192 per dwelling, which works out at DM 3 per square metre. This is exactly the maximum which has been fixed by the German government, i.e. no more than DM 3 per square metre can be charged for heating and hot water. However, only those organisations with average or below average heating costs for their (distant) heated dwellings will be able to manage with this amount. All or-

ganisations with above average costs - a total of 270 organisations with nearly 500,000 dwellings - will have a shortfall, amounting to a total of about DM 300 million per year, and this will have to be compensated for by public subsidies.

As far as there is any additional income at all from the basic rent increase of DM 1, after deducting the remaining charges and expenses, this will be urgently needed for investment in repair, maintenance and modernisation. But if this income is swallowed up in the additional heating and hot water costs, nothing will be left for these necessary investments.

Levels of Investment

In terms of accommodation standard, there is an enormous demand for capital expenditure for modernisation and maintenance.

In the last half of 1990 the organisations spent a total of DM 1.8 billion for maintenance, repair and modernisation, with DM 1.5 billion from public subsidies. This is a very small amount when considering the immense backlog, as in the former GDR only the most urgent repairs were carried out. In western Germany, our housing organisations spent an average of three times as much each year keeping the housing stock well maintained over the past decades.

In 1990 only DM 600 were invested per housing unit in eastern Germany whereas in western Germany nearly three times as much was invested, although western German housing is in much better condition. These figures make it very clear that the organi-

sations in eastern Germany were only able to carry out the indispensable repair work, and they will not be able to improve the housing stock remarkably while rents remain too low to cover costs. In 1990 more than 80% of the comparatively low investments had been funded by public subsidies and considerable subsidies will still be necessary in the future.

In 1991 the organisations planned to spend almost DM 6 billion for repair and modernisation. This represented an average of DM 2,000 per housing unit, a significant increase over the previous year. Ninety-seven percent of the financing for this investment scheme has yet to be found, revealing the demand for subsidies, which should amount to approximately DM 5 billion, measured by the previous year's subsidies.

If the financing is not found, this would not only be unfortunate for the housing policy, but would also have consequences for the labour market, especially since the survival of the small and medium scale building companies depends on these orders.

In addition, if housing in the eastern part of Germany is not improved, migration to the west will continue. Increasing numbers of families from eastern Germany are entering the western German housing market, increasing the demand for housing.

Shared Facilities, Controlled Entities and Staffing

A considerable number of housing organisations in the former GDR have been providing shared facilities for

their tenants/members: e.g. more than 2,000 common rooms, 500 guest dwellings and workshops and 40,000 tenants' gardens. Almost all of these facilities are to be maintained.

More than 400 organisations operate entities working under their control or construction departments with more than 15,000 staff members, 4,000 of whom work with co-operatives. Seventy percent of these organisations will continue to operate.

The reporting organisations employed a total of almost 54,000 staff members as at 1 July 1990. By the end of 1991 staff will be reduced to 28,000 members. According to the plans, approximately 8,000 people will be employed by co-operatives and 20,000 by municipal housing associations.

Special Problems for Co-ops

One striking problem for the co-operatives is the transfer of title from the formerly state-owned land. With 42% of co-operatives (278 registered co-operatives) the transfer of title formalities has been started. In most cases, however, this process is being blocked by a lack of co-operation and excessive financial demands from the local authorities.

The most important precondition for investment credits is the possession of the land titles.

The study reveals that not even 10% of the 750 housing co-operatives are land owners.

According to the unification contract the land should be passed onto the housing co-ops via the local authorities. Measures must be taken to ensure

that the co-op members receive the land to which they are entitled.

The study reveals that the municipal housing associations (former VEB/KWV = state owned or council housing) are not much better off.

The smallest co-operative in eastern Germany has 8 members, the biggest more than 18,000. Altogether there are 1.2 million co-op members in the region. Almost 50 percent of the co-operatives (more than 300) are so-called small co-operatives, managing less than 500 housing units and more than 120 co-operatives have a stock of less than 100 housing units. Many of these smaller co-ops have a long co-operative tradition, dating back to long before the foundation of the former GDR or the Second World War. Some date back to the last century. The oldest reporting co-operative was founded in 1893. Many of the old traditional housing co-operatives were merged with newly founded co-operatives in the GDR in the fifties and sixties, thus losing their independence.

A total of 97% of the reporting co-operatives (636 registered co-operatives) have decided to draw up new statutes according to the Co-operative Societies Act and are working on the necessary preparations, and not less than 75% of the co-operatives (489 registered co-operatives) are registered in the Register of Co-operatives or have applied for such a registration.

These figures show that the consolidation of co-operative housing has started and that a clear process of building up well-run co-operatives has been taking place during 1991.

A Country in a State of Flux: Housing Co-operative Societies in Czechoslovakia

by Dr. Claus Jürgen Hachmann

After the changes in our neighbouring countries to the east, there is great interest in the social, economic and political changes and in the possible solutions to the problems that go hand in hand with them. In addition, it is also in the long-term interests of the west as a whole that stable democracies can develop both in the eastern European countries and in the Soviet Union. If there are positive developments in these countries, the people in other countries will be motivated to make fundamental reforms to their economic systems, whereas up to now they have lacked the political will or been prevented from doing so by conflicts, as in the case of Yugoslavia.

Czechoslovakia has been able to make the change with relatively little conflict once corresponding developments were under way both in the former GDR and, as they have been for quite some time now, in Hungary and Poland. Now the country is facing major problems which it intends to solve as far as possible with assistance from the European Community. In recent months it has succeeded in getting some of the problems under control, thereby enabling enterprises to survive economically.

Economic Reforms

The present course can be characterized by long-term economic transformation. Privately-owned property, which had been expropriated by force, is now to be returned to the original owners. At the same time state-owned enterprises are being privatized.

Inflation was given a considerable boost when prices were freed on January 1, 1991. However, this has been slowed in the meantime, so that uncontrolled, galloping inflation has not materialized. As a result, social unrest is being largely prevented, even though unemployment has increased considerably.

The radical economic reform is placing a heavy burden on a large part of the population. The hope of an improvement in the economic and social conditions by introducing western-style market-economy principles means that most citizens do not doubt the measures are justified. The majority of them support the reform policy of President Václav Havel, who is held in high esteem among both Czechs and Slovaks as a symbol of freedom and democracy.

Facing new Challenges

A new housing policy was also introduced in the CSFR in 1990. At first the co-operative societies had great difficulty in holding their own. In this respect the association with the European Liaison Committee, and the contacts with western co-operative societies this involved, played a role that should not be underestimated. Meetings were held at the highest level with national politicians who recognized that the housing co-operative societies had a democratic tradition and could not be regarded as a part of the "ancien régime". The way was paved for western forms of co-operative democracy because the traditional law on co-operative societies had been in force until 1948 and it was possible to fall back on that law.

About 1.5 million co-operative apartments have been built in the CSFR, which is one quarter of the total housing stock.

New challenges are now looming which are similar to those we are familiar with in Germany's new federal states.

The liberalization of prices and wages in the construction industry has caused the cost of building residential space to rise by 70%.

State subsidies were suddenly cut off. Therefore, despite their difficult economic situation, co-operative society members had to find up to 150,000 crowns (original value of a share: 30,000 crowns = approx. DM 2,000). If account is taken of the low wage level averaging 3,500 crowns per month, and of the fact that up to now there have been no special home loan

schemes, nor any mortgages, it is clear that this is beyond the means of the vast majority of members. In co-operation with the Finance Ministry it was possible to work out the bases for a solution.

Following the abolition of subsidies for heating and fuel charges rose by up to 400%. The Association of Housing Co-operative Societies in Prague introduced the concept of legislative and technological measures as well as price regulation. Accompanying social support measures also formed part of the package. A German-Czechoslovak seminar and co-operation with Austria were of great benefit here.

According to inquiries made by the Association, no privileged citizens and almost no officials of the party or state live in the co-operative societies' apartments. The occupants were rather those who had nothing to say under the former regime, or who were not allowed to speak!

This fact was important during the transformation of co-operative societies into organizations compatible with a market economy and democracy, and it also points the way clearly to the future.

The co-operative tradition in the CSFR extends far back into the time of the Austro-Hungarian Empire and was developed considerably between the two World Wars. Today Czech and Slovak co-operative members regard themselves as belonging to European housing co-op societies; they are western-oriented.

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The Co-operative Press in Latin America

by Juan Diego Pacheco*

The Lost Decade

When we talk about Latin America, we talk of cultural diversity, economic contrasts, a lot of suffering but also a great deal of hope. We are talking about a continent about to celebrate 500 years of "formal discovery", but which has a tradition of thousands of years in the Mayan, Inca, Aztec and Quiohe civilisations, whose contributions to science and human knowledge are transcendental - and many of which are still not fully understood.

In Latin America, we refer to the '80s as the lost decade because, despite the development efforts of the '60s and '70s, all our indexes of economic and social development (health, housing, education, employment, even participation) have worsened during this decade. The only thing that is increasing is poverty.

Outside agencies present us with "the solution to all our problems". This is seen as an economic solution; the human

factor is considered little more than an obstacle. The International Monetary Fund and the World Bank jointly impose conditions oriented toward a supposed (but doubtful) reactivation of the economy: conditions that do not guarantee any effective mechanism for the redistribution of wealth. Even if they achieve economic growth, these measures do nothing to solve the problems of poverty, malnutrition, unemployment, etc. On the contrary, social programmes are the first to be cut, despite the fact that in some of our countries military programmes consume 40% of the national budget.

Role of the Co-op Press

In this context, co-operatives continue to be seen as the main solution to our increasing economic problems. Of course, there are also many problems for co-operatives. However, this is not the topic of this paper; we simply would like to point out that:

- a) Latin America is experiencing a crisis of gigantic proportions that has not only halted its development, but actually reversed it;
- b) Faced with this situation, structural adjustment policies are seen as a possible solution, but a solu-

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tion which does not guarantee that such difficulties will be overcome;

- c) Co-operatives, which have developed rapidly in recent years, must operate in a hostile political and economic environment.

I would argue that the co-operative press has an important role to play in the development of our societies in general, and of co-ops in particular. It is not only a source of information but, much more important, of power.

In every country and in all co-operative apex bodies, there is an information-spreading mechanism that ranges from a page-long newsletter to regular publications with continental and/or international circulations. For example, the Mexican journal "The Bridge" is known throughout the region; the same applies to the magazines published in Colombia by the Organisation of Co-operatives of America (OCA), National Savings and Credit Co-operative (UCONAL) and the Colombian Co-operative Association (ASCOOP).

In most cases, information is transmitted in written form, whether it be a magazine or (in a few cases) a journal. The other widely used means is radio, especially in the rural sectors or those with high illiteracy levels. There are also some countries with television programmes directed by, and intended for, co-operative members.

At the continental level, attention must be drawn to the efforts of the OCA, which publishes "Co-operative Amer-

ica", and of the Latin American Workers' Co-operatives Confederation (COLACOT), which publishes "New Dimension". These magazines are distributed throughout the continent at the management level, and constitute an important vehicle for the spreading of co-operative information. Recently, the Confederation of Co-operatives from Central America and the Caribbean has also begun to circulate a magazine, called "Dialogue", which is taking - with marked professionalism - the co-operative message to the different countries of the Central American and Caribbean region which it serves.

Latin American countries produce a variety of radio programmes and newsletters. Particularly notable is "The Bridge", which is published by the Mexican Confederation of Savings Co-operatives and has a very ample distribution in that country. It is characterised by its excellent news coverage, concentrating on issues of interest for the organisation's members.

Another example is the Co-operative Magazine of Puerto Rico. This focuses on a particular topic twice a year - housing, education, etc. In-depth analyses are made from different points of view, enriching the co-operative members' knowledge and understanding of the topic being discussed. An example of a co-operative publication oriented toward a specialised market is "RUCONAL", a magazine for the Colombian Savings sector, which covers issues closely related to its activities.

So far, I have mentioned successful co-operative publications but, in reality, there is a great effort being made (millions of written words, thousands of illustrations and hundreds of thousands of dollars) with pitiful results. A survey carried out for this presentation highlighted the difficulties encountered in measuring the impact of such publications on the co-operative sector and public opinion in general. It is difficult to draw any conclusions in this respect, since there is no way of verifying how many people read the articles or listen to the programmes; and, yet more important, what impact these have on their opinions or behaviour.

Main Problems in the Region

In an effort to summarise, I would like to briefly describe the main problems confronted in the establishment of the co-operative press in Latin America.

* The importance of the co-operative press has yet to be recognised: it is considered accessory, not fundamental. Concepts such as image, public opinion etc. are not given the importance they deserve. On the contrary, one must realise that frequently the first cutbacks in times of co-operative crisis are suffered by its press. This is mainly due to two reasons:

a) Economic: the co-operative press is not, in itself, profitable.

b) In times of crisis organisations seek to control the outside flow of information.

* Many of those holding responsible positions within the co-operative

press lack professionalism. They do not provide products that satisfy the public. Because of this, the full potential of the co-operative press is not recognised by the organisations themselves.

* There is a tendency to inform on issues which are common knowledge within the organisation, not mentioning elements that could really become news. Readers frequently, therefore, get no further than the titles of the articles. Furthermore, as the contents are often written for an audience familiar not only with the co-operative world but also with the organisation's inner workings, a barrier is created which makes the articles unintelligible to those lacking such background information.

* Little care is taken of presentation. People need information that is well presented, attractive and readily understood. As publications are distributed free there is no way of knowing how well they would fare if people had to purchase them.

* In general, the co-operative press has little connection with the decision-making processes of the organisations, and its lack of continuity and depth in dealing with issues reduces its impact.

The Need for Strategy

The real power of the co-operative press is not fully appreciated; the general problem is lack of strategy. Given the situation in our countries and the crisis the co-operative movement faces, a good system of informa-

tion can determine survival in the current conditions. We believe that the co-operative press does little to market the co-operative concept and image, strengthen organisation-member relations or, above all, to involve itself in the decision-making process at all levels (nowadays the most important element on which we have to work). In our opinion, global and regional strategies must be defined for the co-operative press. It is necessary to take a stand with respect to national and worldwide issues; also, to orient the opinion of our organisations. But most important of all, we have to be able to facilitate an exchange of experiences, mutual learning, and (as we have been insisting) decision-making.

The presentation of information must be improved, making it attractive enough to motivate people, because information, managed in depth and in a professional fashion, permits the formation of criteria regarding the topics dealt with. If we do not do this now, our difficulties will be even greater in the future.

How the WPoCC Can Help

What we propose is that the Working Party on Co-operative Communications help to redefine the co-operative press in Latin America so that its potential may be fully recognised. From what we know, a strategic redefinition of the co-operative press has to contain at least the following elements:

1) Efforts have to be made to update the co-operative press, both in its approach to topics covered and in

the technology it makes use of. It should make full use of the wide variety of research and presentation methods now available (diagrams, video, psychological research etc.). The topics covered must always interest its audience and co-operative information must be managed in function of the organisations' general objectives, not the points of view of the President, the General Manager or the person in charge of the communications department.

- 2) It must be profitable. This does not necessarily mean in money terms, but it must be seen to contribute to the organisations' total profitability (consolidating membership, promoting products and/or ideas, etc.).
- 3) The co-operative organisations' members, board, leaders, staff, etc. must perceive the cost of operating the co-operative press as an investment rather than an expense. Their attitudes toward it will only improve if its benefits become apparent.

The co-operative press must support the organisation's policies, reflecting and strengthening them. Moreover, the messages and the techniques used to convey them must be appropriate; nothing is gained by excellent forms of written communication in countries or co-operative sectors with high illiteracy levels, or by videos where there is no means of showing them; and the same applies to general information in sectors that require specific data.

Finally, we insist that the co-operative press must not constitute a little co-operative island where the messages' contents can only be deciphered and understood by those intimately related to the organisation.

The impact of the co-operative press must be measured and quantified in terms other than distribution, so that its effect on the opinions and activities of the target groups can be established.

We have now briefly seen the problems confronted by the Latin American region, the co-operative situation in this context, and what is and what could be the role of the co-operative press. We have also presented guidelines that ought to be considered in the design of a regional strategy in this field. Thus, our last question should be what do we expect from the Working Party on Co-operative Communication.

We believe that, up to now, there has been little presence of ICA specialised organisations or work teams in our

region; this is due mainly to the fact that direct actions by the International Co-operative Alliance in Latin America have been very recent. Our Regional Office has only been in operation for 20 months (after a similar period as a Project Office): the Office in Buenos Aires is still more recent: its first birthday will be next December. But, of course, one of the most adequate mechanisms - not only to expand within the region but also to consolidate the ICA's presence in Latin America - would be direct intervention of this working party in the region. We think that the most convenient and realistic option would be to organise a meeting with the editors of the region's co-operative press, and then establish with them the appropriate mechanisms for contact between them. This should help to define a coherent, permanent strategy for co-operative publishing within the region, which could be generated by a group of specialists for the benefit of the entire co-operative movement within the region.

Housing in Czechoslovakia

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Co-operative principles of self-management and self-help are being incorporated into the process of transformation. State interference in co-operatively-owned property is in contradiction to the 1990 constitution.

The CSFR intends to allow both proprietary leases and owner-occupied apartments for co-operative members.

The ratio of members is to be improved by selective measures. The members' rights and obligations are to be more clearly defined in order to revive the spirit of mutual assistance in housing co-operative societies.

Past Debates in the I.C.A.

Inter-war Debate on Closer Links Between Agricultural and Consumer Co-operatives

by Rita Rhodes*

This series of occasional articles on past debates in the ICA is intended not only to recall the actual debates, but also to examine where these might have relevance to contemporary issues. The first article on the 1930s review of Co-operative Principles (Volume 84, N° 1, 1991) was topical because of the present examination of Basic Co-operative Values. Debates to be considered later are also likely to touch upon Co-operative Principles. For example, this article involves the Principle of Co-operation Between Co-operatives. Although not enunciated until the Vienna Congress of 1966, it had long been assumed, and this is illustrated by the ICA's debate on closer links between consumer and agricultural co-operatives.

Two Levels of Debate

The debate, which mainly took place in the inter-war years, was on two levels. One concerned the continuing advance of consumer co-operatives and their vertical integration into wholesaling and production. By the 1920s, the leading examples of such development, the English and Scottish Co-operative Wholesale Societies, were developing tea and coffee es-

tates in Asia and Africa. The second level was more theoretical, raising doubts about whether the first approach was correct and could be sustained. Linked to it, and led vigorously by the French Co-operative Movement, was the question about the role that Co-operation should play in the new economic order that was emerging after the First World War's decimation of trading systems. The debate itself preceded the War. Nearly 20 years old, the Alliance at its Glasgow Congress in 1913, was becoming concerned with relations between co-operatives. Heinrich Kaufmann (Germany) presented a paper on "The Direct Exchange of Goods Between Distributive Societies, Agricultural and Other Productive Societies and Between Wholesale Societies in Different Countries". His paper showed how such links could be strengthened, but also underlined the fact that as the movement expanded, they became more complex because of proliferating relationships.

The French Connection

The 1914-18 War prevented any immediate follow up. However, the French movement kept the issue alive at the three Inter-Allied and Neutral

*Rita Rhodes is a co-operative consultant. This is her second article on past debates in the ICA.

Conference it called in Paris in 1916 and 1919. The question was formally raised again at the first Congress held after the war in Basle in 1921. There, Albert Thomas (France) presented a paper on "The Policy of International Co-operation", in which the question of closer links between consumer and agricultural societies featured as an important part of the Alliance's post-war policy. Thomas was to play a central role in the debate. Besides being a leading French co-operator, he was a historian of some note with an interest in social questions. He was also a past ambassador and French war-time cabinet minister, and had become a member of the ICA Central Committee in 1913. Most significantly for the debate we are considering, he had been appointed the first Director of the newly created International Labour Organisation and, in 1920, set up its Co-operative Section that has survived to this day.

Before looking at his 1921 paper, we should perhaps consider the context in which it was written. By the early 1920s co-operative advance, particularly among large-scale consumer co-operatives, led many to believe that co-operation could supersede capitalism.

Some intellectuals such as Beatrice Webb in Britain, Prof. V. Totomianz in Russia, and Prof. Charles Gide in France, were raising it into an economic theory. Gide was particularly influential, being one of the earliest economists to argue the importance of consumers in the modern economy. He suggested that retail societies en-

hanced consumers' power by meeting their needs more economically through synchronising production with distribution.

Universal Providers

The continued growth of large consumer co-operative movements in western Europe and Russia reinforced such arguments and retail societies came to be seen as an end in themselves. Previously they had been viewed as an elementary form of co-operation which generated capital for the eventual establishment of co-operative communities or workers' productive societies.

Some larger consumer co-operatives sought to become "universal providers" by offering a wide range of services to their members: employment, housing and savings, as well as the provision of agricultural products. The question thus arose as to what kind of equitable relationship could develop between these early multi-purpose societies and the other co-operatives with specialised activities. Such concern is reflected in Thomas's 1921 paper where he focuses particularly on the relationship between consumer and agricultural co-operatives.

Co-operation or Competition

However, he also addressed wider issues, including post-war trading relationships. Like many in the ICA, Thomas argued that the war had been caused by empires competing for markets and sources of raw materials. Such competition was the antithesis of co-operation, which was now proving

that it could be an alternative economic system.

Thomas went further than Kaufmann in 1913 in casting doubt on consumer co-operatives' ability to provide all the agricultural products that their members required. He questioned the role of consumer co-operatives' wholesales and doubted whether consumers' and producers' interests could be harmonised so that "..... large agricultural estates as well as factories were united under a single management representing organised consumers.....". Thomas believed such schemes were "ill-considered" and were unlikely to be "durable". The continuing diversity of agricultural production, ranging from large to small-scale units, indicated that relations between co-operatives should be flexible with societies being "autonomous, although associated". Thomas sounded contemporary when he urged the ICA to see the question of production and distribution in global terms.

At the next Congress at Ghent in 1924, Thomas returned to the question in another paper. Entitled "The Relations Between the Different Forms of Co-operation", closer relations between consumer and agricultural co-operatives was one of its two main themes. Three years on, Thomas had become less critical of consumer co-operative wholesales, particularly where these traded with overseas central agricultural co-operative export bodies. However, the question had achieved new urgency. Governments in the USA, Great Britain and Germany, as

well as the International Labour Organisation and the International Institute of Agriculture, were becoming interested in how closer relations between consumer and agricultural societies could help to reduce the big differences between the prices received by agricultural producers and those paid by urban consumers. It was thought that direct relations between producers and consumers through co-operatives could help to eliminate the profits of middlemen and reduce wastage resulting from defective systems of distribution. Thomas believed that the question could be advanced if it could be established what were the present relations between co-operatives, and he urged the Alliance to conduct a survey.

Congress unanimously agreed but the survey was not undertaken. One reason was that events were moving quickly elsewhere. To some extent the debate now shifted beyond the Alliance, although with its very active involvement. In fact, we can see one of those memorable occasions - the setting up of the UN was to be a later example - when the ICA played a direct and active part on the world stage.

International Economic Conference

In 1925 the League of Nations decided to convene an International Economic Conference. At its meeting in Paris in October, 1925, and on a resolution proposed by the French, the ICA Central Committee decided to seek the widest possible representation on the Conference's Preparatory Committee. Although unable to nominate directly, the ICA managed to propose through

other channels that Anders Oerne (Sweden) and Emmy Freundlich (Austria) should become members. Both were on the ICA Executive. Similarly at the actual Conference, held in Geneva in May, 1927, the ICA could not be directly represented. However, a number of national co-operative organisations had persuaded their governments to include co-operators in their delegations. Thus fifteen attended who had close association with the ICA; similarly a further nine who participated as "Experts". Emmy Freundlich achieved the rare distinction of becoming a Vice President of the Commission on Industry, one of the three Commissions into which the Conference divided. The other two dealt with Commerce and Agriculture, and it was the latter which considered, among other things, closer relations between consumer and agricultural co-operatives. The prominence that this subject received was perhaps not surprising given that the ICA membership of the Commission included Henry May, General Secretary, Ernest Poisson, Vice President, and Anders Oerne, Executive Committee.

Subsequently, the ICA Central Committee reported to the 1927 Congress that the Agricultural Commission and the full International Economic Conference had passed a resolution on "Agricultural Co-operation; Relations Between Agricultural Co-operative Societies and Consumers' Co-operative Societies", extolling the benefits of such collaboration and calling for the setting up of a Joint Committee. It was intended that this would repre-

sent the national and international organisations of both types of co-operative, and would research and document past lessons and suggest future lines of action.

A Swiss Viewpoint

Hailing this development, and as if to emphasise that the question was now back in ICA jurisdiction, the Stockholm Congress went on to consider yet another paper on agricultural and consumer co-operatives. This time it was presented by Bernhard Jaeggi, President of the Union of Swiss Distributive Societies. Under the heading of "Relations Between Consumers' and Agricultural Co-operative Societies", it is interesting quite as much for the way it reflected the then anti-capitalist/pro worker stance of the ICA, as it does for urging closer relations between the two kinds of co-operative. Jaeggi warned that, despite co-operation's advances, capitalism was fighting back. It was regrouping in trusts, combines and cartels, and threatening "the workers in general". His paper appears to represent a hardening of opinion in the ICA, for Jaeggi now argued that, "Agricultural production cannot be undertaken by Consumers' Co-operatives Societies on a large scale The organisation of production and the utilisation of the produce of the soil is, as a rule, within the natural sphere of the Agricultural Societies". Having said that, however, Jaeggi emphasised the aims that consumer and agricultural co-operatives shared including the formation of co-operative capital among "the great mass of the people", the strengthening of independent responsibility

and the desire for self-government, as well as the establishment of a mutual exchange of commodities so as to bring about a more equitable distribution of the fruits of labour and economy. For these reasons both types of co-operative should establish reciprocal relations.

Joint Committee

The 1927 Congress approved Jaeggi's paper and supported the setting up of the Joint Committee proposed by the League of Nations' International Economic Conference. This eventually resulted from a series of conferences organised in Paris by Albert Thomas between the Alliance and the International Commission of Agriculture. Their Joint Committee first met in Geneva in February, 1931 and Albert Thomas became its independent Chairman. The Co-operative Section of the ILO serviced the Committee which enquired into the types of joint undertakings between consumer and agricultural co-operatives and publicised what it considered to be good examples. It continued to meet each spring and autumn until the outbreak of the 1939-45 War, which disrupted such deliberations, dislocated trade, and created food shortages. The question of links, through co-operatives, between agricultural producers and consumers assumed a new importance.

The War Years in Britain

Although the ICA Central Committee could not meet during the war, and no Congress could be convened, the British members of the Central Committee continued to meet. It was they

who organised an International Co-operative Conference in London in November, 1943. Participants included a number of representatives of European consumer and agricultural co-operative organisations who had moved to London for the duration of the war. It is significant that the Conference had only two themes and that one of these was, "Relations Between Co-operative Organisations of Consumers and Agricultural Producers". The other was "The Place of Co-operation in the Post-War Economy".

It can thus be seen that attempts to foster this particular form of Co-operation between Co-operatives figured prominently in the ICA from before the First World War until after the Second World War. Then the question became subsumed in broader external moves such as the setting up of the UN's Food and Agricultural Organisation and the General Agreement on Tariffs and Trade. Moreover, in many countries governments set up produce marketing boards with which co-operatives were required to work. With such moves reducing opportunities for independent action, it is reasonable to ask what relevance the long debate has for us today.

Lessons from the Debate

At the outset we need to recognise that in the intervening years co-operatives have changed quite as much as their environment has done. Consequently, the main thrust of the debate, if it occurred today, would be unlikely to be as strongly anti-capitalist as the original debate. Capitalism has be-

come less unacceptable, at least in the western world where it has become hedged in by state and legislation.

However, some aspects of the earlier debate find modern echoes. One is Thomas's claim in 1921 that the industrialisation of agriculture in poorer countries for the benefit of richer urban consumers elsewhere could not be durable. This is now being increasingly acknowledged.

Capitalism may have softened in some ways but its thrust towards labour and geographical specialisation has not. This is at the root of the great north-south divide, and Thomas's warning sounds a modern note. Above all, the whole debate can have relevance to today's ecological and environmental issues.

Frankly, the debate in the ICA needs to be raised from its current cosmetic level. This is not to say that the green practices employed by co-operatives are not important. They are, but they should not lead us to forget a deeper meaning in the co-operative system, namely that of economy because it is the more economic use of the earth's finite resources which is at the heart of the contemporary debate.

T. W. Mercer, Prof. Paul Lambert and W. P. Watkins have all argued that economy is a basic Co-operative Principle. It derives from the fact that co-operatives' operations are motivated by the satisfaction of members' needs and not the pursuit of profit. Simi-

larly, it also stems from the economies of scale that co-operatives achieve through vertical integration and from co-operating with each other. It is the latter which has the means of synchronising co-operative agricultural production with the demands of consumers and channelled through their retail societies. This can be as potent a theory for the world of the 90s as earlier ICA leaders believed it was for the world of their times.

Its potency lies in the fact that increasingly the underlying values and assumptions of western consumerism are being challenged. Many feel that it is wrong if industrial societies sustain their levels of comfort, personal mobility and consumption at the expense of the third or natural worlds. The position is likely to worsen as poor countries attempt to achieve the living standards of the west. In such a scenario Co-operative ideas of economy have renewed relevance. As it is, Prince Surrid Aga Khan, at this year's Davos Forum, and others elsewhere, are urging dialogue between private industry and the Greens in attempts to find ways of matching production to demand so as to ease environmental pressures.

Yet co-operatives were at that point decades ago. Matching production to demand is an idea which has a long history in the co-operative movement. It is time that we said as much, and the debate on closer links between agricultural and consumer co-ops provides a valuable and illuminating example.

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