

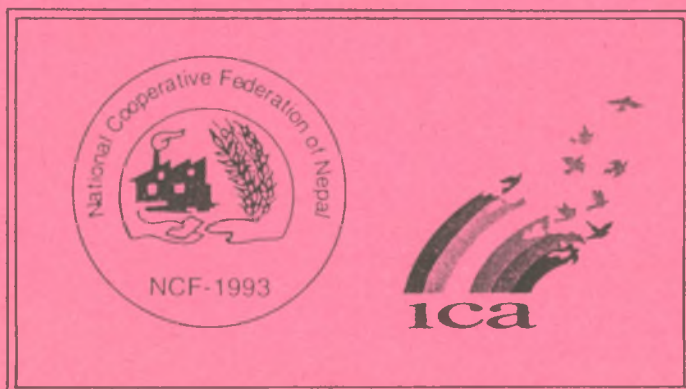


Nepal

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COMPARATIVE FIELD STUDY VISITS IN NEPAL
February 27-March 03 1999

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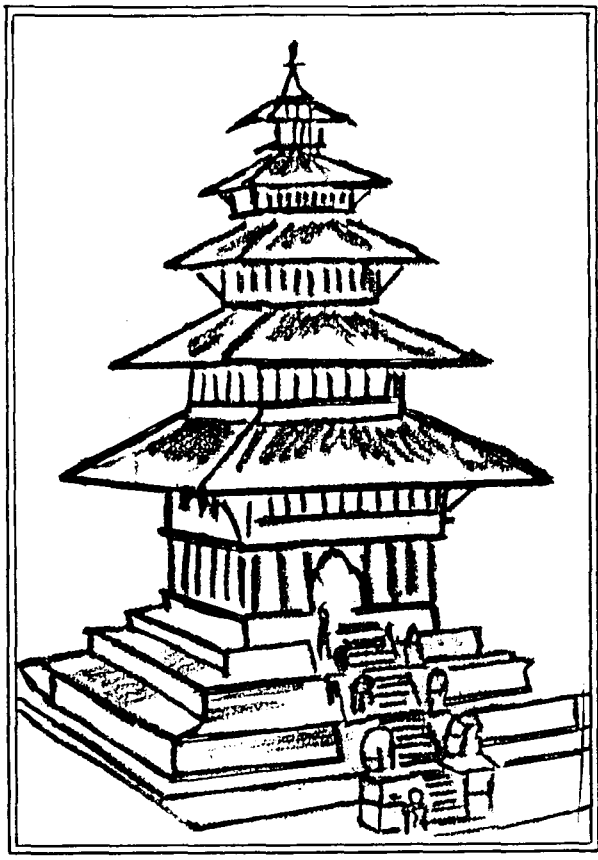


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Officer-Trainees of
the 13th ICA-Japan
Training Course on
**STRENGTHENING MANAGEMENT
OF AGRICULTURAL
COOPERATIVES IN ASIA.**
India-Nepal-Japan
Nov 16 1998-Apr 24 1999

Prepared by: Daman Prakash, Director (AMTP)

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COMPARATIVE STUDY VISITS PROGRAMME IN NEPAL
February 27-March 03 1999
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INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office for Asia and the Pacific
43 Friends' Colony-East, New Delhi 110065. India

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Reference Compendium

for the use of Officer-Trainees of the
13th ICA-Japan International Training Course on
Strengthening Management of Agricultural Cooperatives in Asia
India-Nepal-Japan. November 16 1998-April 24 1999

Comparative Field Study Visits in Nepal
February 27-March 03 1999

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ICA-Japan Agricultural Cooperatives Management Training Project for Asia

ACKNOWLEDGEMENT

01 AS a part of the long-term training course, participants are given an exposure to a variety of development models of agricultural cooperatives so that they are able to make use of different experiences in the development of their own organisations and work methods and techniques. The programme, this time, therefore, helps them to learn a bit from the experiences of agricultural cooperatives in India, Japan and Nepal.

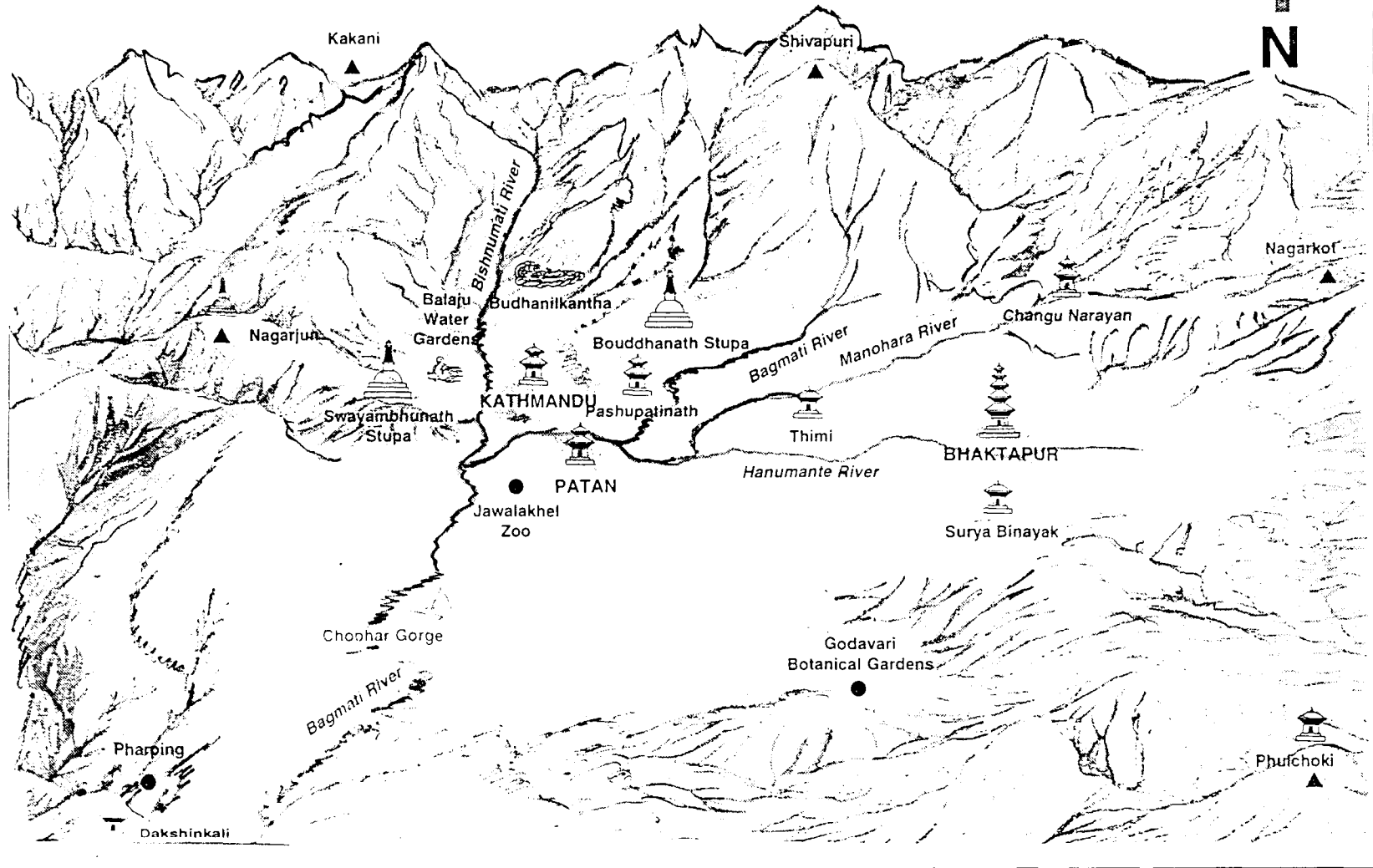
02 In the preparation of this **Reference Compendium** I have made use of material which was collected from various sources e.g., the National Cooperative Federation of Nepal, Department of Cooperative Development-Nepal, APROSC-Agricultural Projects Services Centre-Nepal, Cooperative Training Centre-Nepal and the Library of the ICA Regional Office for Asia and the Pacific, New Delhi. Material collected from my preparatory visits to some of the cooperative institutions in Kavre and Bhaktapur districts has also been made use of. Some of the observations made in this Reference Compendium are based on my own observations and personal discussions with the senior leaders, managers, government and cooperative officials and basic level cooperative members in Nepal.

03 I am grateful to Mr Deepak Prakash Baskota, Chairman and Mr Shanta Raj Sharma, Managing Director of the NCFN for providing relevant material for the preparation of this Compendium. A list of resource material is also attached for further information.

04 The International Cooperative Alliance Regional Office for Asia and the Pacific is grateful to His Majesty's Government of Nepal in the Ministry of Agriculture, the National Cooperative Federation of Nepal, the Registrar of Cooperative Societies, the Cooperative Training Centre and other field level cooperative institutions for making this Comparative Field Study Visits Programme successful.

Daman Prakash
Director

THE KATHMANDU VALLEY



COMPARATIVE STUDY VISITS PROGRAMME IN NEPAL
February 27-March 03 1999

February 27 1999. Saturday

- 0730 -Depart from FMDI for Delhi Airport by bus
 -Depart for Kathmandu (IC-813 1115/1300 hrs)
 -Stay at Hotel Ambassador, Lazimpat, Kathmandu

February 28 1999. Sunday

- 0900 -Depart Hotel for CTC, Baneshwor
1000 -Briefing at Cooperative Training Centre
 -Lunch at CTC, Baneshwor
 -Sightseeing in Kathmandu
 a. Patan Durbar Square, Lalitpur
 b. Syumbhu Temple Area
 c. Buddha Vihar Area

March 01 1999. Monday

Kathmandu. Holi Holiday

March 02 1999. Tuesday

- 0700 -Depart Hotel for Study Visits Programme by bus
 Study Visits Programme/Kavre & Bhaktapur Areas
 a. Briefing at Bindhasini Cooperative
 b. Briefing at Kavre District Cooperative Union
 c. Lunch at Dhulikhel (Resort)
 d. Briefing at Umadevi Milk Producers' Coop
 e. Visit Bhaktapur Durbar Square
- Official Reception/Dinner by Govt & NCFN

March 03 1999. Wednesday

- 0500 -Depart for Study Visits by bus
 -Visit Lalitpur District Cooperative Union, &
 Bhattedanda Cooperative (Vegetable Business)
- 0800 Breakfast at Hotel Ambassador
- 1000 -Prepare for departure for New Delhi
 -Depart for Delhi (IC-814 1350/1520 hrs)
 -Stay at New Delhi
-

Note: Slight changes in the programme can be expected at short notice.

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ICA-Japan Agricoops Management Training Project for Asia
INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office for Asia and the Pacific
"Bonow House", 43 Friends' Colony-East
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THE KINGDOM OF NEPAL

The sovereign is His Majesty Maharajadhiraja Birendra Bir Bikram Shah Dev who succeeded his father Mahendra Bir Bikram Shah Dev on 31st of January 1972.

Capital Kathmandu is situated in the Kathmandu valley 1310m above sea level. Population: 22 million (1993), (1998 estimated population 21.8 million). Other principal towns are Patan (Lalitpur), Biratnagar, Pokhara and Bhaktapur. GNP per capita: US\$200 (1994). The mountainous Himalayan Kingdom with a landlocked geography is sandwiched between China in the North, and India in the South, East and West. Nepal is the birth place of Lord Buddha - the Light of Asia. There is a complex blending of Hinduism and Buddhism in Nepal. Nepali is the official language. Nepal is the only Hindu kingdom in the world. The majority 86.5% are Hindus followed by Buddhists, 7.8%. Total land area is 147,181 sq km. World's highest mountain - Mt Everest {Sagarmatha} 8,848m is located in Nepal. National flag: Two triangular parts of red, with a blue border all around, bearing symbols of the moon and the sun in white. Nepal is a member of the United Nations and the Colombo Plan, among several others.

The Nepal Rashtra Bank - the Central Bank - is the bank of issue. The unit of currency is the Nepali Rupee (NRs) of 100 paise. (Current exchange rate is around NRs 68 to 1 US\$).

From 1846 to 1951 Nepal was virtually ruled by the Rana family, a member of which always held the office of prime minister. Following pro-democracy demonstrations on 16th of April 1990 King Birendra dismissed the government and proclaimed the abolition of the panchayat system of nominated councils. On 9th of November 1990 the King proclaimed a constitution which relinquished his absolute powers. Under the new constitution, Nepal became a constitutional monarchy based on multi-party democracy. The national Parliament has two houses - Pratinidhi Sabha, the House of Representatives and Rashtriya Sabha, the National Assembly.

The country is administratively divided into five regions, 14 zones, sub-divided into 75 districts and over 3,500 villages. Village Development Committees and 62 Municipalities are the lowest local level administrative units in each district. Nepal is ecologically divided into three ecological regions called the Mountain, Hill and Terai areas. National economy is predominantly agricultural-based. National economic development is through the Five-Year Plans. Tourism plays an important role in the national economy.

*"Every rice field here
Sings a golden song with farmers' faith
And every terraced hill here
Tells you a story of their sincere sweat"*

COOPERATIVE DEVELOPMENT IN NEPAL

Present-day Cooperatives in Nepal

Present-day cooperatives appeared on the scene in 1954 when the Department of Cooperative Development was established within the Ministry of Agriculture. The first cooperatives formed were cooperative credit societies in Chitwan district as a part of a flood relief and resettlement programme. These were formally recognised when the first Cooperative Societies' Act of 1959 was enacted.

Development of Cooperatives during Development Plans

The national economic development was pursued through the process of Five-Year Development Plans commencing 1956-57. A brief summary follows:

FY Plan-I 1956/57-1960/61: 378 cooperatives were organised which were integrated into the overall rural development programme. Cooperative Department was streamlined and given programmes for further development of cooperatives. Cooperative Rules were framed in 1961. The Cooperative Training Centre was established in 1962, and a Cooperative Development Fund was created.

FY Plan-II 1962/63-1964/65: With the establishment of a Land Reform Savings Corporation in 1967 schemes of compulsory savings and advance loans were introduced. A cooperative bank was established under the Cooperative Bank Act 1963 to finance the reorganisation of agriculture and to provide credit facilities to cooperatives. This bank was subsequently converted into the Agricultural Development Bank of Nepal (ADB/N) in 1968.

FY Plan-III 1965/66-1969/70: The total number of cooperatives reached 1,489 operating in 56 out of 75 districts. Since the cooperatives were organised in a hurry and without undertaking any proper feasibility study, a large number of them went defunct. A high-level review of the situation was undertaken to identify problem areas and suggest possible remedial solutions.

FY Plan-IV 1970/71-1974/75: With a view to improve the quality of cooperatives a massive reorganisation programme was launched. As a result, a large number of cooperatives out of 1,489 were liquidated and only 250 cooperatives survived. The management of cooperatives was handed over to the ADB/N.

FY Plan-V 1975/76-1979/80: A massive cooperative expansion programme was launched. Under this programme "guided cooperatives" and village committees were converted into SAJHA societies, and cooperatives were organised to cover almost all villagers. Under this programme local politicians were made ex-officio members of the boards of cooperatives. Within a year the number of cooperatives increased from 293 to 1,053 and the number of members rose from 93,000 to 802,000. Many of these

cooperatives soon became inactive and their number decreased by 40%. The main objectives of the Sajha societies were to increase production and farmers' income through improved farming systems, institutional loans, supply of inputs, savings and marketing. In 1978, the management of cooperatives was withdrawn from ADB/N and handed over to their respective management committees.

FY Plan-VI 1980/81-1984/85: An intensive Sajha programme was launched in 1981 focusing more on and made more responsive to the needs and problems of small farmers.

The basic guidelines of the programme were as follows:

- More emphasis was laid on effectiveness of cooperatives responding to felt needs rather than resorting to their numerical growth;
- Concentration on areas where integrated rural development programmes were applied, formation of cooperatives was encouraged only after a thorough feasibility study; and
- Major orientation was placed on safeguarding the interests of small farmers and to boost agricultural production to help increase farm income of farmer-members.

FY Plan-VII 1985/86-1989/90: With a view to reshape the Cooperative Movement, it was planned to extend cooperative services to the people through newly-established service centres. Existing cooperatives were placed at service centres and where no cooperatives existed.

FY Plan VIII-1991/92-1996/97: Efforts were made to revitalise existing cooperatives. A National Cooperative Federation Advisory Committee was appointed which submitted its report in 1991. In the same year a National Cooperative Development Board (NCDB) was constituted and in 1992 a new Cooperative Societies' Act was enacted which recognised the democratic character of cooperatives and ensured their operational autonomy. The responsibilities of the high-powered Board include:

- To work out suitable policy guidelines and new legislations relating to the Cooperative Movement;
- To create organisational structures of the Cooperative Movement from village to the national level; and
- To coordinate activities of cooperatives.

Salient features of the Cooperative Societies' Act of 1992: Cooperative and unions shall be formed "for the social and economic development of the country's farmers, artisans, people possessing inadequate capital and low-income groups, workers, landless and unemployed people or social workers or general consumers on the basis of mutual cooperation and cooperative principles". There are, however, some flaws as there are some restrictions as to the registration of cooperatives.

The National Cooperative Federation-Nepal (NCFN) was established in 1993 after a long gestation period as a promotional-cum-business organisation at the national level. The powers of the Registrar of Cooperative Societies have been drastically reduced. Cooperatives are free to elect their office-bearers, take management and business decisions and appoint their auditors subject to the approval of the Registrar. The Registrar cannot interfere with elections to the Board of Directors, except upon request of a member of the society. But intervention of the Registrar is not totally excluded, if members inform the Registrar of irregularities.

The new cooperative development policies are laid down in the 8th Five-Year Plan and include the following objectives:

- To mobilise the Cooperative Movement as a self-inspired, voluntary and autonomous Movement of the people on people's own initiatives, with their participation and according to their needs and aspirations;
- To infuse cooperative spirit among people through publicity drives and membership education;
- To provide assistance for the establishment of an integrated, strong and effective cooperative system through maximum participation of the local people and, in particular, of women in economic activities;
- To mobilise small capital and skills which lay scattered in the rural areas;
- To encourage the formation of cooperative organisations at local, district as well as national levels adopting democratic systems of management and maintaining transparency in their business transactions;
- To give first priority to cooperatives in any programme implementation or business operation to be undertaken by any governmental or non-governmental agencies; and
- To engage cooperatives in the supply of means of production, sale and purchase of commodities and various other activities oriented towards agricultural production and industrial enterprises and to involve cooperatives increasingly in planning, publicity and programme implementation processes from the central to the district and village levels.

When supporting cooperatives in line with the above mentioned policies, the new autonomy principle of the ICA should be kept in mind i.e., *"Cooperatives are autonomous self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy."*

The Role of Cooperatives

Most of the cooperatives in Nepal are related to agriculture, to farming and to farm products. Subsistence farming is still widely spread. Land distribution is uneven. The overall average size of operational landholding is slightly above one hectare. The small and marginal farmers who constitute the majority, operate between 0.28 and 1.03 ha. According to the Agricultural Census of 1991-92 nearly 70% of the total number of holdings are of less than 1 ha and account for about 31% of the total crop area. Although the country is rich in water resources, its agriculture depends primarily on monsoon rains. Only 25% of the total potential area is covered by irrigation. In 1994 agriculture accounted for about 41% of GDP. Crop production (as reported in 1994 in 1,000 tonnes) Rice 2,928, Maize 1,273, Wheat 914, Sugarcane 1,500, Potatoes 840, and Millet 268.

Agricultural multipurpose cooperatives are the most numerous type of societies. Their main activity is to supply inputs, give access to production loans and special purpose loans and sell items of daily consumption, an activity which is important in the Hills and Mountains districts, where such items are usually in short supply.

Agricultural cooperatives maintain 353 godowns with a total storage capacity of 54,694 MT. However, the utilisation of this capacity is low. Marketing is a relatively new but an increasing activity, depending on surplus production, mainly in the Terai areas. The principal commodities sold by agricultural cooperatives either to the Nepal Food Corporation or in the open market are paddy, wheat, maize and oil-seeds. However, cooperatives also purchase food grains to sell to their members during period of shortages.

A more recent activity with important prospects for the future is **processing of agricultural produce** (esp. paddy and oil-seeds). In 20 districts cooperatives have installed small, efficient agro-processing plants. Their success will depend on whether or not they manage to keep the cost of processing low and to maintain a good quality. Other types of cooperatives work in the fields of Dairy, Consumers, Savings and credit, and Craftsmen's supply and marketing.

A major success story is that of dairy cooperatives. Their number increased from 4 in 1991 to 377 in 1994 and 661 in 1995-96 with seven single-purpose district unions in 1994 and 9 in 1995-96 and one central dairy union which has been operating since 1991. In 1998 there were said to be a total of 900 dairy cooperatives. The total collection of milk is approximately 155,000 lt per day. Except for roughly 30,000 lt which goes to private dairies/milk processors or distributors, rest of the milk goes to the Dairy Development Corporation of Nepal, central dairy which processes and distribute milk and milk products in the country. The National Dairy Development Board of Nepal (NDDDB-Nepal) is the central coordinating and policy making institution which also provides loans for the development of dairy sector. The majority

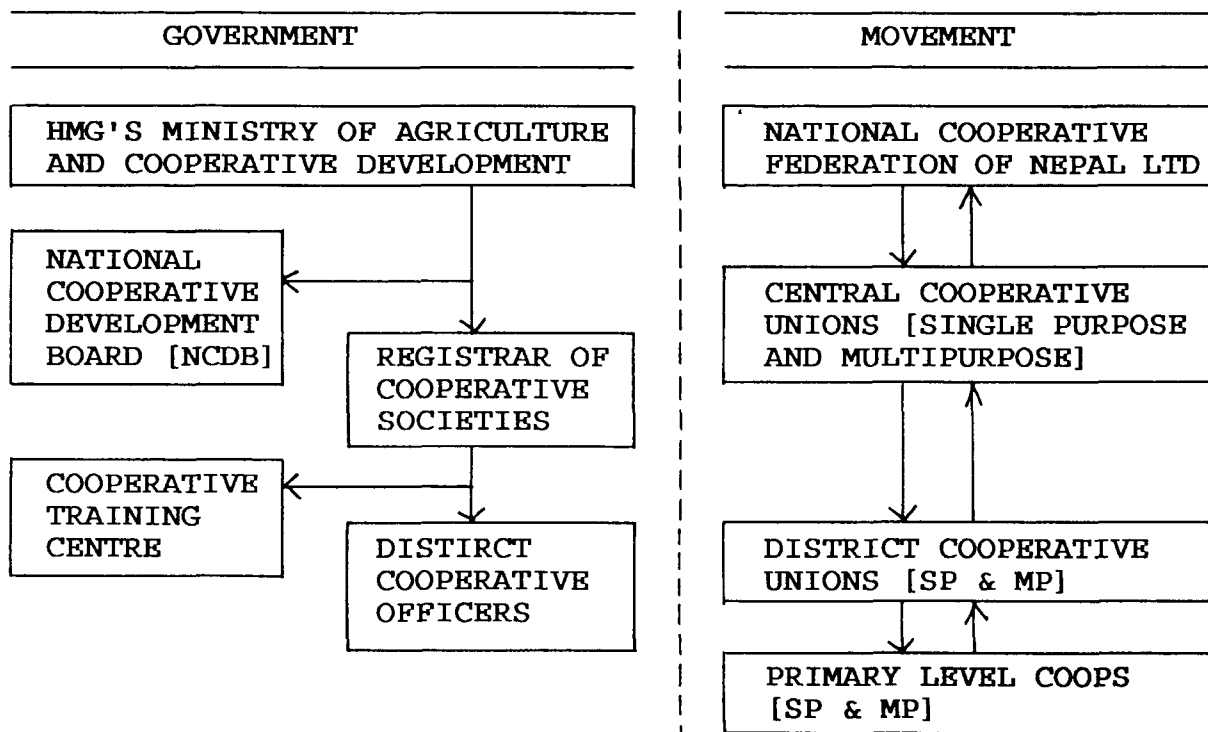
of these dairy cooperatives are self-sustaining and have grown to a stage where the country's dairy industry depends on these cooperatives.

Around 65% of farm requisites, including chemical fertilisers, improved seeds and implements are distributed through the cooperative network, mostly through the NCFN-district cooperative unions-primary cooperatives network. Another area of success lies in the fast growth of thrift and credit cooperatives. These cooperatives are gradually also venturing into the distribution of items of daily consumption through their own little consumer stores. The situation is different in the case of urban cooperatives, where many new societies have been registered to qualify for tax exemptions but otherwise remain inactive.

Structure of the Nepal Cooperative Movement

At the national level there is the Ministry of Agriculture under which two important government agencies operate e.g., the National Cooperative Development Board and the Registrar of Cooperative Societies. The Board is nominated by His Majesty's Government. Its Chairman is the Minister of Agriculture himself who appoints the other members of the Board. The Board is concerned with development and legislative issues.

The Registrar of Cooperative Societies oversees the progress, development and implementation of cooperative programmes and also offers guidance to cooperatives. The Registrar also ensures that all provisions of the Cooperative Law are properly implemented. There are cooperative functionaries (district cooperative officers) at the lower administrative levels as well. The organisational structure of the Movement and its linkages with the Government is given below:



The Cooperative Training Centre which is owned and operated by the HM Government is guided by the Ministry through the Registrar of Cooperatives. The Centre offers various ad hoc training and orientation programmes to government cooperative officials and functionaries of the Cooperative Movement.

Cooperatives are now expected to grow on their own and to expand their activities according to their own plans. Between 1991 and 1994 the number of cooperative societies increased spontaneously and without any governmental programme by 1,155 from 916 to 2,071. In 1995-96 it stood at 3,308.

Under the new political, economic and administrative climate, many existing informal groups have increasingly opted for conversion into cooperatives. Other growth factors are:

- The operational autonomy, and
- Immunities and privileges granted under the Cooperative Societies' Act 1992.

The Cooperative Movement of Nepal has a three-tier organisation system i.e., primary, secondary and central level. Under this system there is a two-fold division of multipurpose cooperatives and single-purpose cooperatives at all levels with the DCU and NCFN. The District Unions are being encouraged to undertake more of business activities in order to sustain their operations.

The Movement is currently passing through a very difficult period. It is facing the crisis of identity and great challenges to stabilise itself. The government views the Movement as a totally non-governmental activity and, therefore, hesitates to provide the badly-needed financial and logistic support. The Movement, on the other hand, feels itself to be an orphan. Members are still of the view that the cooperatives are government institutions and, therefore, the government should look after them.

The general public hesitates to enter the Movement fold due to past non-performing results and as the perception of its being highly influenced by politicians. It is not able to attract qualified and skilled employees and workers due to its past distorted image and inability to pay attractive wages. Although the situation appears to be depressing for some, but some ardent believers in the inherent strength of the Cooperative Movement view this development as a silver lining in the dark clouds. Provided that it charts its development course properly maintaining operational efficiency, transparency and business ethics and adhering to the Principles of Cooperation the Movement is likely to pick up strains of self-sustaining, self-supporting and self-propelling development.

There is an urgent need for an extensive cooperative leadership development programme, development of professional management, business development and member education and extension programmes.

Problems Faced by Farmers

Main problems faced by farmers in Nepal are:

- Poor supply and frequent shortages of essential agricultural inputs;
- High dependence on traditional labour intensive farm methods and implements;
- Limited and very traditional warehousing capacity;
- Unreliable and insufficient supply of water (for irrigation and for drinking);
- Irregular and thinly distributed extension services;
- Limited access to credit facilities;
- Lack of markets and price guarantees for their produce and erratic provision of minimum support price to the farmers;
- Lack of insurance services for animals, assets and crops; and
- Lack of flow of business information, inter-personal communication and business network at all levels.

Farmers do not have the know-how, capacity and capability to pool their resources, marketing of their products and protect their interests. The infrastructure for an efficient marketing and daring agro-processing is lacking. There is also an acute shortage of well-informed, well-intentioned and dedicated cooperative leaders, qualified professional managers and workers.

Problem Areas Confronted by the Cooperative Movement

Except for the problems related to stringent government control and lack of autonomy, the problems of the past continue to exist:

Lack of Cooperative Knowledge: Cooperatives are still regarded as government institutions. People consider them to be "(institutions of the government) for the people" and not "(the institutions) by the people, for the people and of the people";

Lack of Active Member Participation: Mainly due to lack of knowledge of the Principles and Practices of Cooperation and wrong concepts about democratic management and control. There is an acute shortage of "examples of success" and appropriately designed training and education material. In order to enhance member participation, member education and extension programmes are necessary. There is a confusion as to which agency should undertake member education programmes, and with what financial resources. Basic level cooperatives have no funds of their own to implement member

education programmes. The NCFN presently has no funds to spare for this purpose and the government does not have adequate provisions for this purpose;

Lack of Management Expertise and Technical Staff: Small and weak cooperatives cannot attract good qualified and full-time managers and other workers due to shortage of funds and low salaries offered. Qualified and experienced professional managers prefer to work with private enterprises and that too in urban locations;

Lack of Funds and Other Resources: Capital formation is low, outside credit is highly expensive, and resource mobilisation is poor. There is an acute shortage of state funds for cooperative development and promotional programmes, lack of knowledge on improved methods of farming, post-harvest facilities and lack of modern farm implements;

Lack of Coordination and Communication: Especially between primary cooperatives, union and the NCFN as well as between cooperatives and public or private business partners. There is also a thin spread of communication and dialogue among the members, cooperatives and between the Movement and the Government;

Multiplicity of Cooperative Authorities: The cooperative authority link is too long for the present relatively small size and quality of the Movement e.g., Ministry-National Cooperative Development Board-The Department of Cooperative Development. The NCFN, logically should have inherited all the assets of the Sajha when it was abolished and when its assets were handed over to the NCDB and the Board should have folded up in favour of the national federation.

In Conclusion

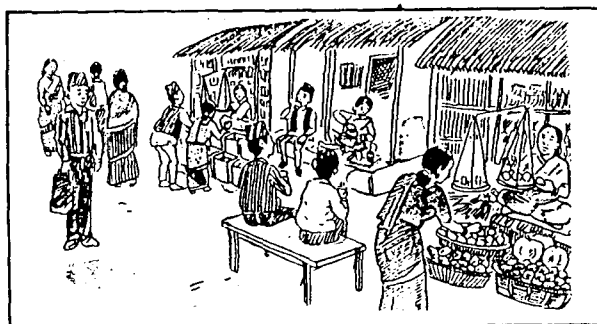
The Cooperative Movement in Nepal has a history of being supported by government through various programmes and projects. Much of this support focused on the development of physical infrastructure like warehouses, cold storage, collection centres and processing industries. Another preferred area of support was to channel credit and agricultural inputs through cooperatives to individual farmers or groups of farmers.

Considering the enormous task to educate and train over one million cooperators as well as thousands of committee members and managers of cooperatives, relatively little has been done in the field of member education, leadership training and the development of managerial and entrepreneurial skills among cooperative personnel, based on the Cooperative Principles, despite the laudable efforts of the Cooperative Training Centre and many NGOs and INGOs.

Some Key Cooperative Statistics 1996-97

| | | | |
|---|-----|-----|---------------------|
| Primary-level Cooperatives... | ... | ... | 4,232 |
| -Agricultural Multipurpose Cooperatives | ... | ... | 1,950 |
| -Consumer Cooperatives | ... | ... | 275 |
| -Dairy Cooperatives | ... | ... | 895 |
| -Savings and Credit Cooperatives | ... | ... | 750 |
| -Other Cooperatives | ... | ... | 362 |
| Secondary-level Cooperatives | ... | ... | 86 |
| -District Unions | ... | ... | 51 |
| -Single-Purpose District Unions | ... | ... | 35 |
| -Consumer Unions | ... | ... | 4 |
| -Dairy Unions | ... | ... | 7 |
| -Savings and Credit Unions | ... | ... | 9 |
| -Other Unions | ... | ... | 3 |
| National-level Societies | ... | ... | 4 |
| -National Cooperative Federation of Nepal | ... | ... | 1 |
| -Central Consumer Union | ... | ... | 1 |
| -Central Dairy Union | ... | ... | 1 |
| -Central Savings and Credit Union | ... | ... | 1 |
| Total Membership of Cooperatives | ... | ... | 1.15 million |
| Total Share Capital of Cooperatives... | ... | ... | Rs 304,46 m |
| National Geographical Area | ... | ... | 147,181 sqkm |
| National Population | ... | ... | 21.8 million |
| Total Number of Households | ... | ... | 422,427 |
| Population Growth Rate | ... | ... | 2.39% |

 Source: Department of Cooperatives-Nepal. Kathmandu



"A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise...Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others".

NCF – NEPAL
THE NATIONAL COOPERATIVE FEDERATION OF NEPAL LIMITED
Post Box 11859, Teenkune, Airport Road, Kathmandu-35

Introduction

The National Cooperative Federation of Nepal Limited (NCFN) is an apex organisation of the Cooperative Movement of Nepal. It was voluntarily and jointly organised by cooperatives of different levels on the basis of universally-accepted Cooperative Principles. It was registered on June 20 1993 under the Cooperative Societies' Act 1992. At present, the NCFN has the membership of three central cooperative unions, 51 district cooperative unions and five single-purpose cooperative societies. It represents more than 4,000 primary cooperatives operating throughout the Kingdom with an individual membership of nearly 1.3 million. The Federation was admitted to the membership of the International Cooperative Alliance (ICA) in 1997.

Objectives

The objectives of the Federation are as follows:

- to promote and develop the Cooperative Movement in Nepal on the basis of the Cooperative Principles according to the people's needs, their own initiative and participation;
- to make supports available to socio-economic programmes and business promotion of cooperative societies and unions in order to improve the social and economic conditions of the people;
- to assist cooperative societies and unions to strengthen their leadership and management capacity; and
- to provide leadership to the Cooperative Movement and to represent Nepalese Cooperative Movement at national and international levels.

Functions

The Federation may undertake the following functions with a view to attaining its objectives and goals:

Research, Development and Promotion: i) to launch publicity programmes for creating an awareness of cooperative spirit among the people as well as for accelerating and widening the Cooperative Movements and cooperative activities in a healthy manner; ii) to encourage the people to organise Cooperative Movement into a self-inspired, voluntary and autonomous Movement in accordance with the people's needs; iii) to conduct studies and research on various aspects of Cooperation and extend assistance to such activities and come up with refined printed documents; iv) to support all possible efforts in developing the leadership capacity of cooperative leaders.

Training and Education: v) to organise training, seminars and workshops and meeting programmes to develop the analytic human resources required for the management of societies and unions.

Business Promotion and Operations: vi) to carry out business activities involving agriculture and other products and export such products as necessary; vii) to make arrangements for the import and supply of materials, machinery equipment, consumer goods, construction and commodity items etc. required for the cooperative societies and unions; viii) to undertake agro-based industries and other industries or collaborate in such programmes with the cooperative societies and unions or other institutions or cooperate with the cooperative societies and unions to carry out such activities.

Planning and Management Consultancy: ix) to give support to cooperative societies and unions in such activities as planning, implementation, monitoring and evaluation of programmes in order to promote their organisational efficiency; x) to provide managerial and legal advises required for the cooperative societies and unions.

Inter-Cooperative Relations: xi) to establish and promote relations and coordination with the concerned institutions at national as well as international levels.

Leadership and Representation: xii) to lead and represent the Cooperative Movement at national and international levels and act as the chief spokesperson of the Nepali Cooperative Movement.

Share Capital

Share is one of the main sources of the Federation for the capital formation. The Federation issues shares of Rs 5,000 each. Authorised capital of the Federation is Rs 500 million.

Membership

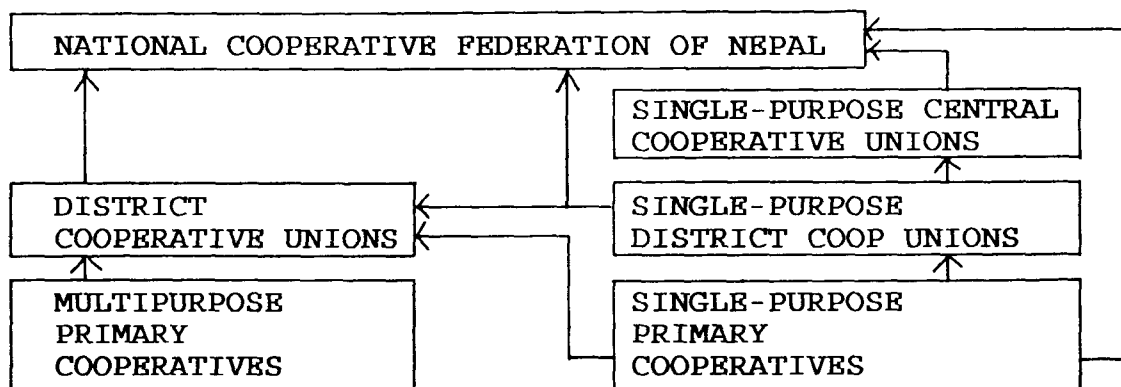
The Federation, in accordance with its byelaws and the Cooperative Act 1992, offers membership to the following cooperative organisations and other institutions:

Full Membership: To become a full-fledged member, each union has to buy at least one share: i) Central cooperative unions, ii) District cooperative unions, iii) Single-purpose district cooperative unions, iv) Financial and banking institutions owned by HM's Government and HMG itself, v) Foreign cooperatives and institutions being member of the International Cooperative Alliance (ICA).

Associate Membership: To become an associate member, the following institutions have to buy at least five shares: i) Primary cooperative societies, and ii) National and international non-governmental organisations who are promoting cooperatives and following Cooperative Principles.

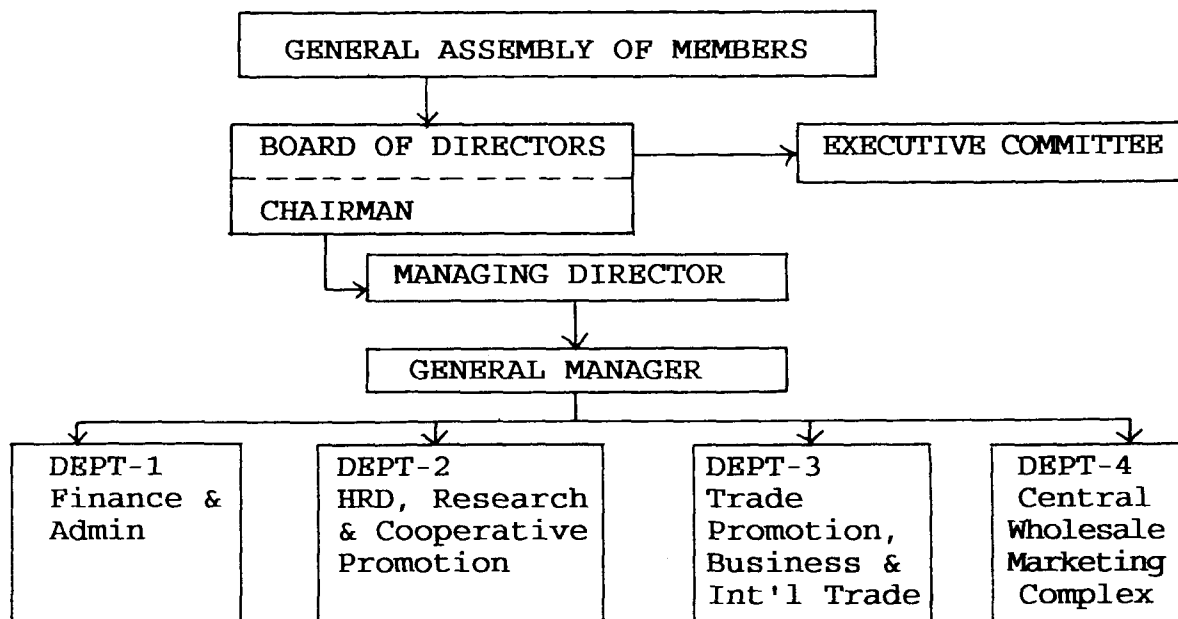
Democratic Control: General Assembly and the Board of Directors

One representative from each of the member-unions comprises the General Assembly of the Federation. The General Assembly elects the Board of Directors for a 5-year term. At present the Federation Board consists of 20 members - 11 persons are elected from 5 different regions including the Chairman. The Chairman nominates five cooperative leaders and experts with the recommendation from the Board. The Registrar of Cooperative Department is an ex-officio member of the Board. The chairmen of the central cooperative unions are also ex-officio Board members - at present there are three of them. The Board meets once at least in three months. The last elections were held in October 1993 for a 5-year term. The organisational structure of the National Cooperative Federation of Nepal is given below:



NCFN Management

The management consists of five members of the Executive Committee and full-time Managing Director nominated by the Board from among the elected members of the Federation Board. The internal management organisational structure of the Federation is as follows:



The Federation's business is conducted through the district cooperative unions, which, in fact, operate as its business branches. The MD is fully authorised to manage and implement Board decisions, management of a good office, supervises NCFN staff and operates business, develops contacts with government, national and international organisations in favour of the Cooperative Movement. The NCFN has one Deputy General Manager and other essential staff who supports the management in implementing its programmes.

Business Operations of the Federation

The business operations of the Federation are now in the third year. It started business with its own financial resources of Rs 360,000 drawn from its share capital. Subsequently the government extended a grant support which led its business to reach a total of Rs 5 million as of now. The Federation has established its Cooperative Wholesale Marketing Centre (CWMC) through which it is engaging its shareholders in rice and oil processing activities. The Centre makes available goods to the members, farmers and other target groups on reasonable prices. It is trying to expand its business to at least Rs 10 million and also to broaden its business network mainly through the district cooperative unions throughout the country.

The total turnover of the NCFN in 1997-98 was Rs 40 million and earned a gross profit of Rs 700,000. There has been, however, an accumulated loss of Rs 400,000.



"...Poverty alleviation, balanced economic development and higher economic growth rates are the three key goals of national development plans. All these national targets can be achieved only when the agriculture sector is developed fully and integrated into other development sectors like trade and industry. Cooperative societies can be the most effective mechanism for generating economic activities for the benefit of the rural masses by bringing about commercialisation and specialisation in agriculture and farming. It can provide the very base for poverty alleviation...There is, however, a strong need for the cooperatives to become true cooperative institutions not the cooperatives only in name trying to take advantage at the cost of others...Cooperatives need to develop professionalism and abide by the Principles of Cooperation and the basic values on which the Principles are based..."

CTC - NEPAL
COOPERATIVE TRAINING CENTRE
New Baneshwor, Kathmandu

Introduction: The Cooperative Training Centre was established by His Majesty's Government in 1962 with the aim of imparting knowledge and skills to the leaders and personnel involved in the field of cooperative development. The Centre is the only institution in Nepal which caters to the training needs of the Cooperative Movement. Each year, the CTC trains approximately 1,000 individuals and provides member education for about 20,000.

Objectives and Target Groups: The main objective of the CTC is to develop human resources necessary for the Cooperative Movement. The CTC programmes are aimed at cooperative leaders, women cooperative leaders, general members of cooperatives, employees of cooperatives, potential members and government cooperative employees and others who are interested in cooperatives. The main functions of the CTC are to:

- conduct programmes at the central as well as local levels;
- support the educational activities of all types of cooperatives;
- produce educational materials for training and education;
- conduct research in cooperatives;
- extend management consultancy services to cooperatives;
- organise workshops, seminars and study visits; and
- offer training in specialised fields as per special requests.

Physical Facilities: The Centre is situated in the central part of the city and adjacent to the International Convention Hall. It has its own office building with five syndicate rooms and one conference hall. It has hostel residential facilities for 60 trainees and quarters for nine trainers. It has a canteen and a consumer store within the premises of one hectare area. It is fully equipped with all types of audio and visual aids, upto date library, computers and office equipment.

School of Democracy: "Cooperative organisations have been looked upon as a 'school of democracy', or even a 'school of solidarity', during large parts of their history. Cooperative organisations became, especially for the working classes, a preparation for responsible positions in society at large. To parts of the world Cooperative Movements, those working in modern welfare societies, these contributions are mostly a 'proud memory' today, as the democratic system has become accepted and the public educational system has become open to all. For other parts of the Cooperative Movement, on the other hand, the importance of this task is as relevant now as ever. The cooperative way should be an opportunity for people to practise democratic responsibility for their living conditions and for the community at large."

BINDHAVASINI
SAVINGS FUND COOPERATIVE SOCIETY LIMITED [BISCOL]
Panauti Municipality, Khopasi, Kavre District

Introduction: Bindhavasini Saving Fund Cooperative Society Limited (BISCOL) was first established in Panauti Municipality, Khopasi, Kavre district in 1993. According to the universally-accepted Principles of Cooperation and in accordance with the Cooperative Societies' Act of 1992 and Regulations of 1993. The Biscol is situated about 50 km from the national capital, Kathmandu. The Panauti is one of the most beautiful places of Bagmati region. It is the storehouse of natural beauty and known for its historical importance, monuments and aura.

The Cooperative started its banking activities after six months from the receipt of the required permission from the Rashtriya Bank in February 1994. It is affiliated to the Nepal Federation of Savings and Credit Cooperatives Union (NEFSCUN). It is also the member of the Kavre district savings and credit cooperative union. In its activities, the Cooperative receives full guidance from the National Cooperative Federation of Nepal.

Its Mission: The BISCOL is an independent autonomous non-governmental association which facilitates and empowers members to bring changes in socio-economic and community sector effectively through the concept of rural savings bank as per the community-based cooperative norms and values under the Principles of Cooperation.

Objectives and Activities: Its main objective is to improve the living standards and business potentials of its members through thrift and loan activities. Its activities are as follows:

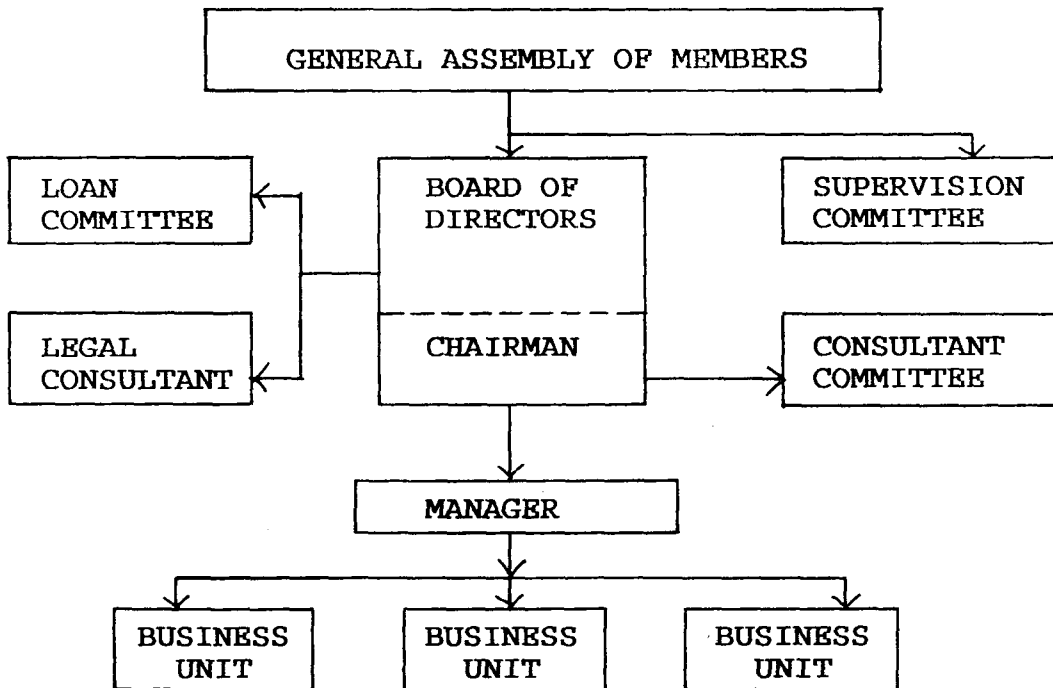
- To collect the savings and deposits from its members regularly
- To ensure a regular outflow of loans to members
- To provide the members with a good rural banking service
- To provide income-oriented and entrepreneurial programmes
- To regulate socio-economic and community-based programmes
- To promote institutional development as per Coop Principles

Membership: As the end of 1998 the total membership of the Cooperative was 1200, 852 of them being males and the rest females. The membership is divided into 95 operational groups because of the location of members in the hilly region. Members participate in the activities of the Cooperative willingly and as and when required by the Cooperative to assemble.

Financial Situation: The total share capital of the Cooperative is Rs 1796,000. The regular, simple and fixed savings are: Rs 2031,000, Rs 2270,000 and Rs 830,000 respectively. The total disbursement of loan is Rs 9460,000 and loan in investment is Rs 4000,000 which remains to be collected. Net profit of the Biscol is Rs 391,000. The above business trend of the Cooperative indicates that the Biscol will be able to achieve an excellent situation in the history of savings and credit cooperative

business in the country. Already the Cooperative has establish for itself a position of credibility in the area.

Organisational Structure: The organisational structure of the Cooperative, according to its byelaws, is as follows:



Programme Extension: The Membership Register of the Cooperative opens once every year, generally to coincide with some important festivities, during which time new members are accepted. Members are segmented into workable groups of 10-15 persons with their own leadership management structures. These groups are located in various small villages around the Cooperative. Biscol has given high priority to open its branches in potential areas as per its requirements. Training and development of members and their leaders is supported by the National Cooperative Federation through on-the-spot and off-location education and training programmes.

Community Concern: The Biscol has been undertaking a variety of training and development programmes with a view to enhance its business and to provide value-added services to its members and the community at large. Some of the programmes conducted have been: Productivity training programmes-7, Education and training for members and core leaders-5, Drinking water projects-2, Festival camp management programme-1, and Environment protection and awareness programmes-2. The Biscol has also conducted about 24 community development/welfare programmes which respond to the needs of core groups at the grassroots level thus contributing to the well-being of the rural community.

KAVRE

DISTRICT COOPERATIVE UNION LIMITED

Banepa Municipality, Ward No. 10, Banepa. Kavre District

Introduction: The Kavre district cooperative union was established in 1967 in Banepa Municipality under the Cooperative Societies' Act of 1959 and as per relevant Regulations. It covers the whole district of Kavre and operates in accordance with the universally-accepted Principles of Cooperation. There are 9 member-cooperative societies in the fold of the Union covering Panchkhal, Chakra Jyoti, Manankal, Kalika, Keshapwore, Khopasi, Ugraohandi, Kushadevi and Mahalaxmi cooperatives. The total share capital of the Union is Rs 9108, each cooperative holding a share of Rs 1006 each.

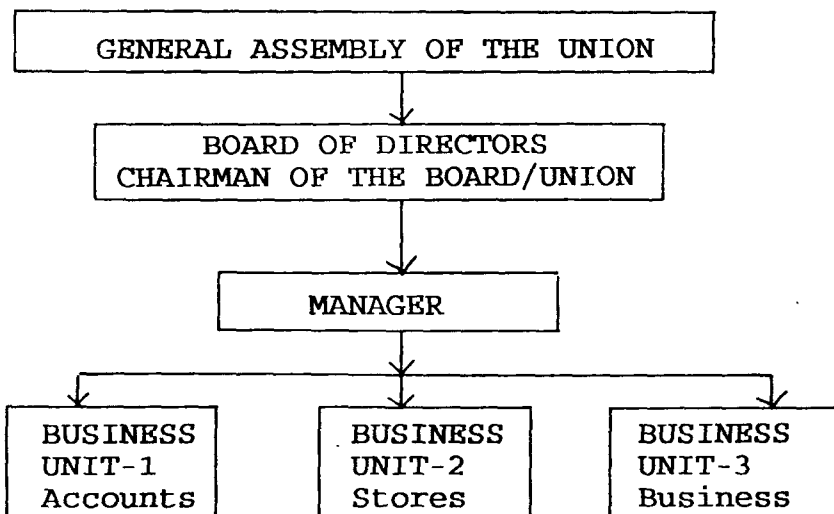
Objectives and Activities: The District Cooperative Union is the district level spokesman of the Cooperative Movement and safeguards the interests of cooperative institutions and encourages promotion of cooperatives in the area. It represents the National Cooperative Federation of Nepal at the district level and participates in all cooperative-related activities in the district and on behalf of the district cooperatives.

The main activities of the Union are as follows:

- To promote and develop Cooperative Movement on the basis of the Principles of Cooperation and cooperative values according to the needs of the member-organisations and other interested organisations in the district;
- To provide leadership to cooperatives in the district through various contact programmes, publicity and propaganda;
- To identify the problems and difficulties of member-societies and analyse the causes of problems and help in their solutions;
- To represent the National Cooperative Federation at the district level;
- To identify the potentials for business development of member-societies and for promoting its own business in the district;
- To identify possible areas for business development in farm supplies and credit supplies and prepare feasibility reports and carry out discussions with the central federation and government agencies to secure necessary funding and other support;
- To organise various training and development seminars, conferences and training programmes on its own and with the support of the central federation and government agencies for district cooperative organisations;

To develop and maintain working relations with governmental, non-governmental and other institutions for the promotion of cooperative philosophy, ideology and business in the district.

Organisational Structure: The Union follows its organisational structure in accordance with the provisions of its byelaws. The present organisational structure is as follows:



The Union has five employees working in different sections.

Business Operations and Physical Strength: The Union is a promotional-cum-business organisation, as being the district level branch/representative of the National Cooperative Federation. The Union premises are ideally located on a high way with a plenty of office accommodation and storage facilities. It has a warehousing capacity of 250 MT and an office block with quarters. The market value of the Union property itself is about Rs 2 million. The Union supplies a range of farm inputs e.g., fertilisers and some farm implements.

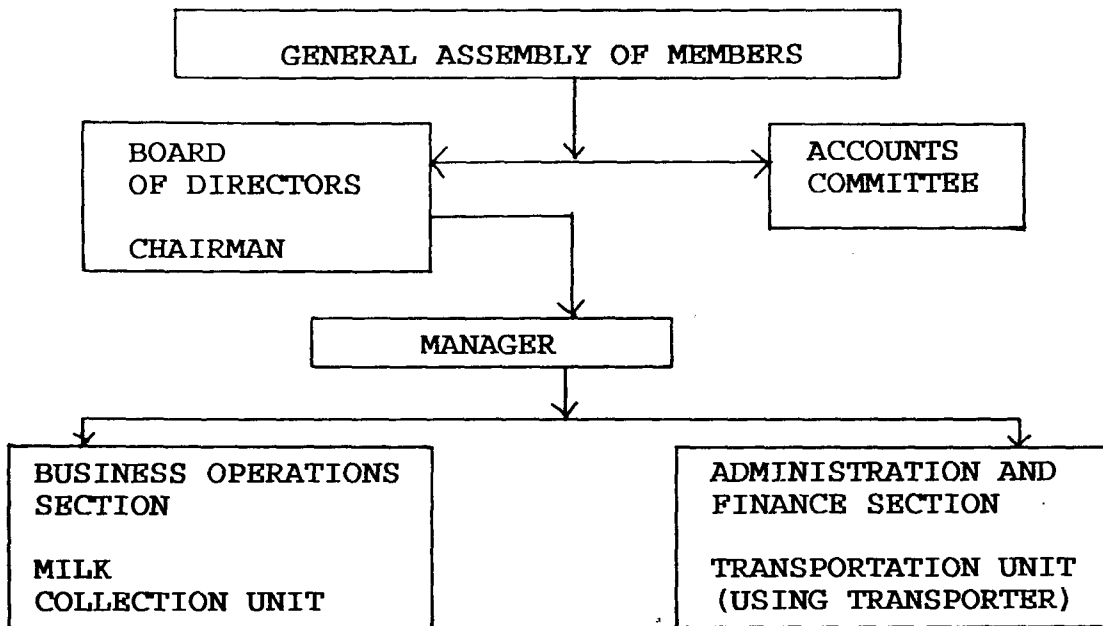
The total turnover of business at the end of 1998 was Rs 0.43 million. The National Cooperative Federation supports the Union in a variety of business e.g., fertiliser distribution, consumer goods, hardware items and a limited range of farm inputs. The business operations have yet to be improved so that the Union is able to satisfy all the requirements of cooperatives in the area.

Education, Training and Development Activities: On its own the Union has very limited financial resources to provide education, training and development opportunities to cooperatives in the district. However, with the collaboration of the central federation, the Union has been organising some education and training courses for members and office-bearers.

UMADEVI
MILK PRODUCERS' COOPERATIVE SOCIETY LIMITED
MAHADEVSTHAN-8, RANITAR, KAVRE DISTRICT

Introduction: The Umadevi Milk Producers' Cooperative Society Limited covers the whole of Mahadevsthan VDC, Nayagaon, Deupur and a part of Chandeni VDC. The total number of member-shareholders is 105 with a paid-up share capital of Rs 105,000. It has a sum of Rs 290,000 loan in investment with no borrowed capital. It has a total of 9 full-time and 20 part-time workers.

Organisational Structure: The organisational structure and management of the Cooperative is as follows:

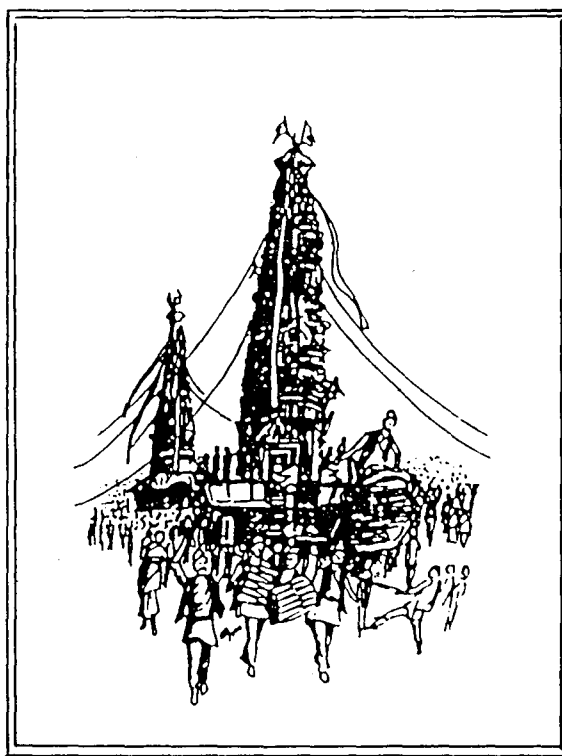


Financial Situation: The financial situation of the Cooperative has been as follows (Figures in Nepali Rupees):

| Fiscal Year | Total Transactions | Net Profit Transaction | Bonus paid to employees |
|-------------|--------------------|------------------------|-------------------------|
| 1992-93 | 495,584 | 14,466 | --- |
| 1993-94 | 3,045,025 | 125,022 | 53,168 |
| 1994-95 | 3,739,173 | 121,477 | 55,573 |
| 1995-96 | 4,610,907 | 175,648 | 74,468 |
| 1996-97 | 5,359,952 | 160,432 | 90,606 |
| 1997-98 | 7,309,194 | 274,333 | 120,000 |

Significant Activities: The Cooperative has been conducting the livestock mobile camps in the interior villages to give facilities to its members. The livestock unit has all the needed equipment and the staff are duly trained. It delivers free vaccine service to its members twice a year, and spends nearly Rs 30,000 on medicines per year from its own resources.

The Society has invested in soft loans for the purchase of livestock at 15% interest which is 7% lower than the prevailing market rate. It has purchased land worth Rs 195,000 to construct its own office and other facilities. It distributes 5 lt aluminium cans to its members twice a year from its own resources. The Cooperative has been attracting general milk producers by giving 15-17 paise more per litre as compared with the purchase price given by the Dairy Development Corporation.

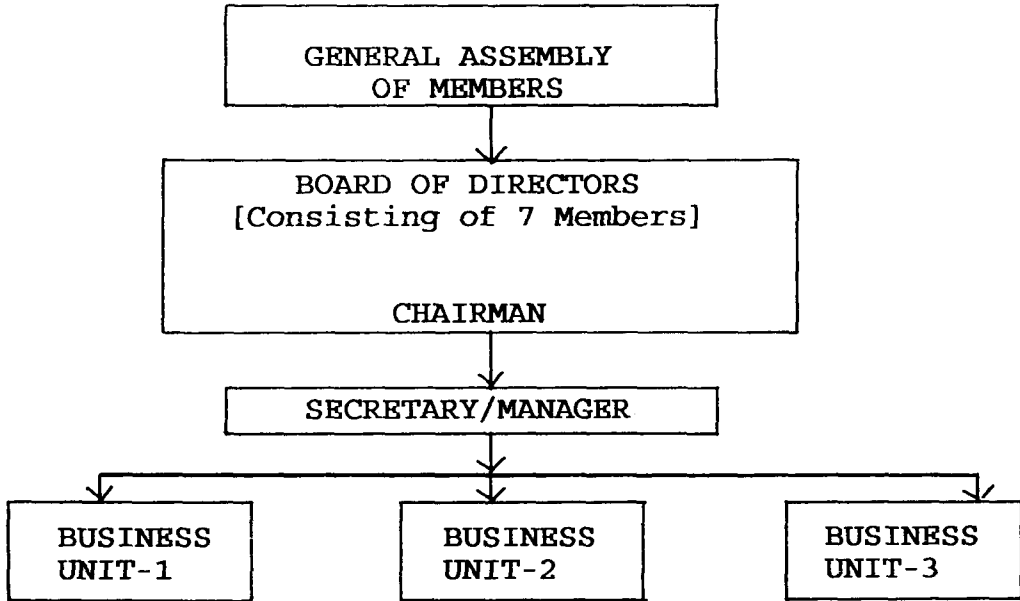


"When a cooperative institution arrives at a complex level of organisation because it has been successful as a business, there comes a time when it is no longer viewed solely in respect of the specific needs of its members but in relation to the nature of the role it has come to play within the urban or rural community by its scale and scope, its impact on economic life at local, regional, national or international level. It is challenged in its daily activities by problems beyond the strict limits of Cooperative Principles as adapted to the small local cooperatives." -Yvon Daneau

BHATTEDANDA
MULTIPURPOSE COOPERATIVE SOCIETY LIMITED
BHATTEDANDA, LALITPUR

Introduction: The Bhattedanda Multipurpose Cooperative Society Limited covers the entire VDC of Bhattedanda. It has a total membership of 333 with a paid-up share capital of Rs 33,300 and a loan investment of Rs 33,000. It has taken a loan of Rs 50,000 from the bank.

Organisational Structure: The Cooperative follows the following organisational structure as per its byelaws:



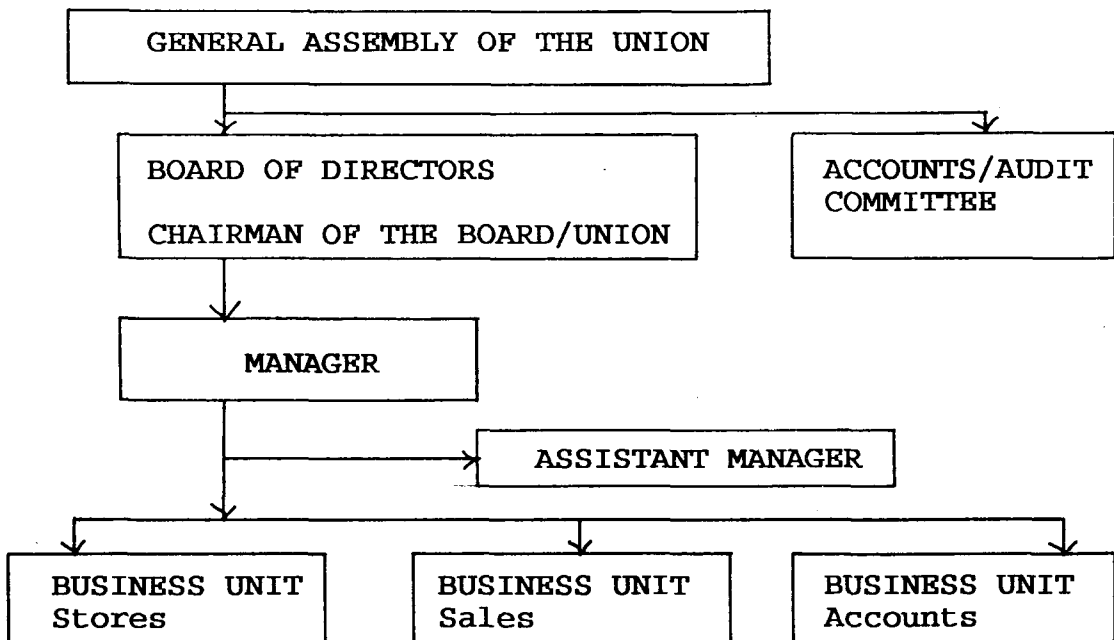
"With an enlightened and active membership we can face the future with confidence; this will enable us to bring about, through a gradual development of the Cooperative Movement, an economic democratisation of the community and to make our contribution to the work towards a higher economic and cultural standard for the entire population.

"If member interest wanes, if the members' ability to take initiatives and their capacity for self-help within our organisations disappear, then we will be in eminent danger of losing our character of a Popular Movement. That would mean an erosion of the very foundation upon which all our activities are built. In that case the Cooperative Movement would perhaps be an efficient business organisation, a type of enterprise among others, but no longer a self-help Movement, an applied economic democracy in vital areas of commerce and industry. It would no longer be an instrument of the people, for the people and through the people." -Dr Mauritz Bonow

DISTRICT COOPERATIVE UNION
LALITPUR SUB-METROPOLITAN CITY, MAHALAXMISTHAN

Introduction: The District Cooperative Union (DCU) was registered by the Department of Cooperative Development in 1971 in accordance with the Cooperative Societies Act of 1959 and as per prevailing Regulations. It has 11 primary cooperatives as members with a total share capital of Rs 30,000. Among the 11 primary cooperatives in its membership, 9 are agricultural cooperatives and two deal in non-agricultural activities. The Union is a secondary level organisation covering the entire district of Lalitpur.

Organisational Structure: In accordance with the byelaws of the Union the present organisational structure is as follows:



General Assembly is the apex body of the Union which consists of 11 members from 11 different primary cooperatives. Seven Board members are elected from among 11 members. In accordance with the Cooperative Act, an Accounts/Audit Committee of three members is also elected by the General Assembly which is accountable to the General Assembly. The Board of Director is overall responsible for the business operations and policy formulations of the Union. A manager is recruited to implement the business and policy decisions. The manager is supported by an Assistant Manager and other business unit sub-managers. At present the Union employs a total of five staff.

Business Functions of the Union: The District Cooperative Union renders a variety of business functions, the principal ones being supply of consumer goods and some hardware items. The Union has its own large warehouse and an office block. The Union also renders services to its members to sell vegetable and other farm products of its members. Vegetables are brought twice a week (Wednesdays and Saturdays) from remote societies and areas to the

cooperative market place. The vegetables are sold either through direct negotiations or through auctions on which transactions the Union gets a certain percentage of commission or service charge. In order to enable the members to produce and bring better quality of vegetables (e.g., environment-friendly products), the Union also provides advisory services and some farm inputs directly on its own or through the help of the government agricultural promotion office.

The daily business turnover of the Union is about Rs 60,000 which, on certain occasions, goes up to and more than Rs 100,000 per day. The total investment in inventory is Rs 1 million. The Union has the best advantage of its location. It has been able to establish its credibility among vegetable traders in Lalitpur and Kathmandu areas.

Training and Education Activities: The Union organises several education and training programmes for its member-societies and farmers with the assistance of the central federation. Due to limited funds at its disposal more intensive member education and training programmes are not conducted. It sends its managers and some of the Board members for training and orientation at the Government-run Cooperative Training Centre in Kathmandu.

"But this process of centralisation also implies a transfer of authority from primary societies to apex organisations. Increasingly decision-making is entrusted to an experienced and professional managerial elite at the centre of the Movement. This means that in many cases societies surrender part of their authority in connection with such basic issues as assortment, financing, personnel, information, pricing and services. This loss of sovereignty is none the less real for the fact that it is usually given up voluntarily in the interest of greater efficiency for the Movement. Obligations once assumed are binding, and responsibility is permanently delegated to the centre.

"The major effect, in the context of democracy, is to widen the gap between members and management; to remove decision-making from the local base which had long been considered the foundation of democratic control. The emasculation of democracy can and does manifest itself in diverse ways: in member apathy, low attendance at meetings, weakening of traditional cooperative loyalty, inability to attract young people, difficulties in recruiting staff, loss of the sense of belonging and of exerting influence, encroaching bureaucracy and rigidity, even sometimes in a blurring of the end purpose of Cooperation, namely to serve the interests of the members."

-ICA Congress 1968

NCDB - NEPAL
NATIONAL COOPERATIVE DEVELOPMENT BOARD-NCDB/NEPAL
Harihar Bhawan, Pulchowk, Lalitpur. Nepal

The 11-member National Cooperative Development Board (NCDB) was established by His Majesty's Government of Nepal in 1992 under the Chairmanship of Shri Deepak Prakash Baskota, MP. It was established by an Act of the National Parliament by liquidating the erstwhile Sajha Kendra Limited.

The Board was established to identify the real problems of cooperative development in the country and to suggest to His Majesty's Government the remedial measures. The Board was also expected to act as mediator in disputes between the cooperatives and the government and between the cooperatives and other non-governmental institutions. It was to actively advise the HM Government on relevant facilitatory legislations on cooperatives. With the liquidation of the Sajha and with the establishment of the Board, all the assets of the Sajha were brought under the control and purview of the Board.

The NCDB has established a 3-years cooperative development project since last year. The focus of the project has been development and promotion of cooperatives during the 9th Five-Year Plan with special emphasis on the role of cooperatives in promotion of agriculture. It is also supporting some cooperative organisations through loans and subsidies.

"The success of the cooperative leadership team depends on certain factors, the prime one being mutual confidence between laymen and management, neither one trying to overstep the authority of the other, management recognising the board of directors as representatives and spokesmen for the members, and directors respecting management in day-to-day control of the business. In the ideal situation, directors do not try to manage and managers do not dictate general policy, although they should, of course, advise the board. There is thus a balance and a division of responsibilities between the two: management ensures that the cooperative operates as a sound business, while directors, acting as custodians on behalf of the members, ensure that it operates as a good cooperative...a key question is the ability of elected lay leaders to play their part in a meaningful instead of a merely ritualistic and perfunctory way alongside technocrats and specialists in modern and complex business."

-Cooperatives in the Year 2000 by Prof AF Laidlaw

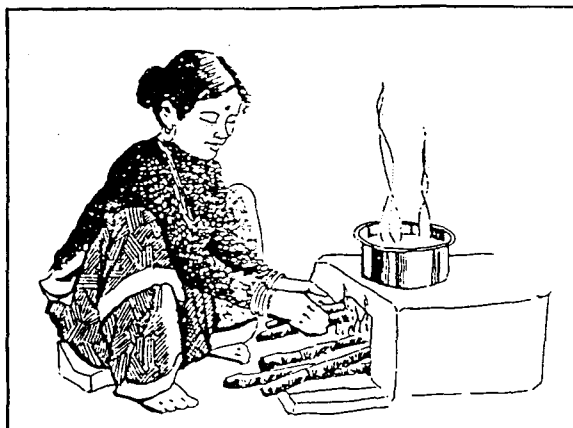
Implications for the Future



1. *It is important, and indeed imperative, for the Cooperative Movement to clarify and make known the fundamental concepts, ideology and moral claims by which it operates;*
2. *The Principles of Cooperation need to be formulated as a statement of fundamental precepts rather than operating rules, and set out as an irreducible minimum that applies to all types of cooperatives;*
3. *The future will call for a great variety of cooperatives of all sizes, with special accent on the multipurpose type at community level;*
4. *The democratic character of cooperatives must be secured in all aspects and at all levels of the cooperative system;*
5. *Cooperatives that are not only economically efficient but also socially influential will have the most appeal for the new age;*
6. *Interaction between cooperatives and the state will be greatly increased and intensified in the foreseeable future;*
7. *The future development of cooperative system can be assured only through the building of a cohesive sector in the economy of each nation; and*
8. *In the global Cooperative Movement of the future, there must be room for a wide range of ideologies.*

Reproduced from:
Cooperatives in the year 2000
by Prof AF Laidlaw

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