



**strategy
for
cooperative
development
in
vietnam**

- a workshop report



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REPORT ON
THE WORKSHOP ON STRATEGY FOR
COOPERATIVE DEVELOPMENT IN VIETNAM

Hanoi, Vietnam : 16-19 May 1995

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International Cooperative Alliance

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**Report on the Workshop on Strategy for
Cooperative Development in Vietnam**
Hanoi (Vietnam) : 16-19 May 1995

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Foreword

This report of the Workshop on Strategy for Cooperative Development in Vietnam which was held in Hanoi from 16th to 19th May 1995 gives a good overview of the problems the cooperatives are facing in Vietnam and indicates the need and strategy for the development of cooperative movement. The Workshop was of particular significance because for the first time a National Workshop on Cooperatives was jointly sponsored by various development partners including ICA, ILO, FAO, CCA, and SCC. These development partners contributed both technically and financially. One of the important recommendations of the workshop was that these development partners will meet more often to ensure that the limited resources available from different sources for cooperative development are properly coordinated so that they could be best utilised. This beginning, I am sure, in future will be extended to other areas also.

Cooperatives in Vietnam since the start of Doi Moi in 1985 have struggled through very difficult times. Prior to adoption of Doi Moi and market economy, cooperatives were treated as a favoured child of the government. However, the government completely withdrew its support and interest in cooperatives overnight to the extent that not only all the financial and administrative support was stopped, but even a legal framework was not made available to them. While the legislation for private sector companies was enacted as early as 1991, till date cooperative law has not been enacted in Vietnam. Thus for a long time cooperatives became a non-legal entity facing all types of problems regarding financing, business transactions, and other activities.

The other problem was that for a common Vietnamese, cooperatives meant state agency and they have no concept of a genuine cooperative owned and managed by members. This ignorance was confined not only to common man but even at the senior level in the government as well as at intellectual level. The result was that a large section of cooperatives either became defunct or got converted into private companies.

Since the Vietnamese cooperatives joined ICA in 1989, ICA is making all efforts to educate and provide facilities to all concerned in the movement and also in the government to have a proper understanding about the cooperatives by organising national workshops, providing them facilities for training and visits to countries of the region as also outside. Consequently, the importance and need of genuine cooperatives in Vietnam is being increasingly realised. The ICA has also extended its technical assistance in drafting of a cooperative law for Vietnam. We are keen that this law goes to the Parliament as early as possible.

I am happy that in the workshop there was a very active participation from all levels. It is also heartening to note that since last year or so the reversed trend towards cooperatives has changed and they are showing progressive trend.

This workshop, I believe, would help in accelerating this progressive trend towards cooperatives and the report will prove as a useful material for all those who are interested in cooperative situation in Vietnam.

G.K. Sharma
Regional Director

New Delhi
14th July 1995

Editor's Note

In compiling the report, one of the problems encountered was the terminology used in the papers presented by Vietnamese presenters. Some of the terms are specific to Vietnamese Socialist context and would have different perceptions to other readers. Therefore, these terms have been edited to use commonly accepted terminology to avoid the confusion. However, only marginal editing was undertaken on the style of writing and presentation. Only grammatique was checked.

The report does not contain full text of presentations made by various development agencies as they are known to cooperative readers. Another reason is that many presentations did not use written speeches and also used other visuals such as pamphlets and video tapes. Therefore, we felt that it is useful only to extract statements relevant to the workshop theme in order to avoid lengthy details on the organisations. However, the contributions made by the presenters have been valuable and appreciated, to understand the policies and programmes of the development agencies and could serve as guidelines for future collaboration between Vietnam and development partners.

W.U. Herath
Editor

New Delhi
10th July 1995

Conclusions and Recommendations

A. Conclusions

01. All the delegates of the international workshop agreed that the cooperative movement of Vietnam has a long history of development.
02. The cooperative movement in Vietnam is facing a period of difficulty in the transformation from the hitherto subsidised economy to the market economy. In this process many cooperatives have to be dissolved or convert themselves into other forms, such as limited companies and private companies. Some of the existing cooperatives have also been influenced by the old economic system, so they could not follow all the cooperative principles.
03. A number of cooperatives have been able to adjust themselves to the new market economy and they have been able to manage their operations quite well.
04. There is an urgent need to provide Vietnamese cooperatives a favourable legal and policy environment by the Government.
05. The transformation of present cooperatives into real cooperatives in Vietnam should be introduced carefully so as to adhere to the specific situations in Vietnam for which help from the ICA and other foreign agencies is required.
06. The cooperative movement of Vietnam has great potential for development in terms of the availability of human and other resources.
07. The Government of Vietnam has shown its concern for the cooperative movement through declaration of policies, although the cooperative law has not come into being to date.
08. Relationships between Vietnamese cooperatives and ICA as well as others have laid a solid foundation which can be further strengthened.
09. Vietnam has much more favourable conditions to exchange experiences,

information with other foreign partners, which can be made to good use for valuable support from outside.

10. There is a great potential to increase foreign trade between Vietnamese cooperatives and other cooperatives in the world.

B. Recommendations

01. With the technical support of ICAROAP, and various other International Agencies, various Ministries of the Government of Vietnam, as well as cooperators and other experts of Vietnam, an 11th Draft of the Co-operative Law for all types of Co-operatives have been prepared; the Workshop strongly recommends that this co-operative Law for all types of co-operatives should be introduced in the Parliament at the earliest so that a common unified Law for the Co-operative Movement can be enacted.

The co-operative Law should be followed by the issuance of guidelines and model bylaws for each co-operative sub-sector for the implementation of the law. The State should also take action to introduce specific policies for cooperative sector.

02. VICOOPSME and its representative organisations in provinces and cities should concentrate more on the building and strengthening of the cooperative movement.
03. The State should take action to form workers' cooperatives and hand over state enterprises that are to be transferred out of State administration.
04. The Government or VICOOPSME should set up a promotional agency for genuine cooperatives to undertake and educate cooperative target groups and general public.
05. The cooperative movement in Vietnam should create a cooperative coordinating body to achieve better coordination among different types of cooperatives for mutual benefits.
06. The cooperative movement in Vietnam should develop a cooperative development policy and prepare a long term plan with the participation of cooperatives and state agencies concerned.

07. VICOOPSME should create a business network among cooperatives to share information and consolidate resources in the absence of a national cooperative business federation.
08. VICOOPSME should set up a cooperative audit service which will help expedite in the audit of accounts.
09. The VICOOPSME should take action to reorganise the cooperative training system and to introduce need based and learner centred training for different target groups - members, leaders and staff.
10. The cooperative movement in Vietnam should expose cooperative members to entrepreneurship training and vocational training based on market demands.
11. Cooperative members should be exposed to training on democratic process and decision making in cooperative enterprises.
12. The National Cooperative Training Centre should be strengthened in terms of physical facilities and competent staff to undertake education and training relevant to the needs of current cooperative movement.
13. A comprehensive career development plan should be prepared and implemented where there is a large staff contingent in big cooperatives.
14. The Government and Cooperatives should create a conducive environment and incorporate gender and development approach in their planning strategies to achieve equal participation of women in development programmes.
15. The State should provide social arrangements for women members of cooperatives to take care of children through creches and schools so that their work will not be hindered.
16. The cooperatives and the State should arrange training on new technology and vocational training at women's work places.
17. The WORKSHOP accepts the proposal of the Canadian Co-operative Association, and recommends that all international partners present at this Workshop, namely ICA ROAP, CCA, SCC, ILO, FAO, UNDP, DID, CCD, ICMIF, JCCU, confirms the establishment of an informal "CONSORTIUM ON CO-OPERATIVE DEVELOPMENT IN VIETNAM", to be joined by Project Partners in Vietnam as well, with the following objectives :

- (i) To share views and experiences on Co-operative development in Vietnam in order to avoid duplication and to work on a complementary basis;
- (ii) To strengthen the co-operative sector in Vietnam by jointly working on a long term cooperative development plan for the growth and development of co-operatives in the rapidly changing social and economic environment in the country;
- (iii) To conduct joint workshop or training activities in order to evolve program development tools such as planning, monitoring and other instruments that will strengthen the management capacity of project partners in Vietnam;
- (iv) To develop other shared mechanisms such as special project assistance and technical cooperation on the basis of shared needs by project partners in Vietnam.

The Workshop further recommends that the CONSORTIUM should meet once a year, or at least once in every two years, depending on the need and circumstances; Members of the Consortium can also be increased on the basis of future requirements.

18. The Workshop recommends that an in-depth study be undertaken jointly by (a selected number of) members of the CONSORTIUM, together with ICA ROAP, to discern the current position of co-operatives, pre-cooperative structures, and small and medium enterprises in Vietnam, and recommend ways to strengthen the co-operative sector.
19. The Workshop recommends to CCA to continue with the development of pilot project on agricultural cooperatives both in the North and in the South, as well as other new projects.
20. The Workshop recommends to CCA to encourage JUK in Indonesia to coordinate trade linkages between Vietnam and other countries; as well, the Workshop recommends that CCA continue its efforts to promote commercial cooperation and trade linkages between Canada, Vietnam and other countries.
21. The Workshop recommends to SCC to continue its support for cooperative development programmes in Vietnam through the ICA ROAP.

22. The Workshop recommends to DID to continue the development of financial co-operatives in collaboration with the State Banks of Vietnam.
23. The Workshop recommends CCD to continue with the development projects in partnership with Vietnam cooperatives in the areas of fisheries and gender activities.
24. The Workshop recommends to ILO to introduce MATCOM material for adaptation in Vietnam, and to organise exchange programmes with other institutions in the areas of management development in market economies, and gender issues through the ILO Coopnet.
25. The Workshop recommends to JCCU to provide further training in consumer store management for consumer cooperatives in Vietnam, and to help organise consumer groups into cooperatives.
26. The Workshop recommends that the FAO and the Ministry of Agriculture & Food Industry (MAFI) continue their collaborative efforts in promoting co-operatives in the agricultural sector in Vietnam.
27. The feasibility of establishing a cooperative insurance system for cooperatives should be studied with the assistance of ICMIF.
28. On the basis of specific projects submitted by VICOOPSME for the co-operative development in Vietnam, development partners should make endeavours to find resources for supporting viable projects. ICA ROAP may act as a facilitating agency when required.
29. The ICA ROAP to continue its collaboration with VICOOPSME in supporting co-operative development through various activities such as training programs in ICA ROAP member countries, as well as technical cooperation and consultancies.

Drafting Committee

VICOOPSME	:	Mr. Hoang Minh Thang	Mr. Vu Luu
ICA ROAP	:	Mr. G.K. Sharma Mr. Upali Herath	Mr. Malte Jonsson (Coordinator)
CCA/ICA ROAP	:	Mr. Robby Tulus	
ILO ROAP	:	Mr. E. Mogensen	

Report

1. Background

Since Vietnam became a member of the ICA in 1988, the ICA Regional Office for Asia and the Pacific provided technical support for the transition of the cooperative movement from a centralised socialist economy to a market economy. Firstly, with the financial and technical support from the SCC, ICA ROAP undertook an in-depth study on the current situation of cooperatives in 1991 and organised a national workshop in 1992. Many prospective development partners from the region as well as from Scandinavia, North America and the UN agencies participated at the workshop. A broad framework for a future strategic plan was prepared, which served as a guide for the Vietnamese government, cooperatives and the development partners.

On the part of the ICA ROAP, many programmes outlined in the workshop conclusions have been undertaken. ICA ROAP provided training to leaders and executives of Vietnamese cooperatives on various aspects of cooperative management under a market economy. They have been exposed too on the job training and study tours in Scandinavia, Asia and North America. Few executives were accommodated in the 6 months training programme in agricultural cooperative management sponsored by the Government of Japan.

One of the most important and urgent issues was the recognition of cooperatives as a legal person in Vietnam. There was no specific legislation covering cooperatives. The ICA ROAP provided technical assistance to draft a Cooperative Legislation for Vietnam which is in the final stage of approval after going through 10 drafts.

Meanwhile, many development partners who participated at the workshop in 1992 have undertaken many bilateral programmes with the government and cooperatives in Vietnam in the fields of agriculture, banking, fisheries and credit cooperatives as well as cooperative insurance. Few pilot projects too have been introduced.

After four years of experience after the workshop, ICA ROAP and VICOOPSME felt that it is appropriate to undertake a review of the current developmental stage and organise a workshop on Strategy for Cooperative Development in Vietnam. Accordingly development partners inclusive of UN agencies have been invited. The accelerated growth rate in the Vietnam's economy and lifting of economic embargo by the USA have also influenced the decision to hold another workshop.

The workshop was financially supported by the SCC, CCA, ILO, FAO and VICOOPSME.

2. Objectives of the workshop

There were two specific objectives set for the workshop :

- (a) Prepare guidelines on strategy for the future cooperative development in Vietnam inclusive of operational aspects; and
- (b) Create an understanding among development partners in providing support to cooperative development in Vietnam.

3. Workshop Methodology

The ICA ROAP sought help from Vietnamese experts to prepare assessments of various aspects of cooperatives including women's participation. Accordingly few independent reviews have been undertaken by experts who had in-depth experience in Vietnam who presented the observations at the workshop. In addition, from the ICA ROAP two important aspects of cooperative development i.e. Cooperative Trade and Human Resource Development in Cooperatives were presented.

The development partners from the UN system and Scandinavia, Japan and Canada too shared their experiences in working with cooperatives in Vietnam and provided an assessment on their part. They also gave indications on the future collaborations too.

In addition, Central Council of Cooperatives and Small and Medium Enterprises of Vietnam (VICOOPSME) discussed bilateral and multi-lateral projects with the development partners and ICA ROAP for the future.

However, the main output expected was to produce a guiding framework for the development of cooperatives in Vietnam covering all policy aspects

as well as operational aspects. A drafting committee appointed by the organisers identified main issues and concerns of the workshop as reflected in the discussions and the presentations and prepared a set of conclusions and recommendations synthesising many suggestions made during deliberations of the workshop. The document was adopted with few amendments at the plenary discussions.

VICOOPSME arranged a field study programme on 19th May 1995 to visit an industrial cooperative and a joint venture on ready made garments and yarn manufacturing industry. Delegates also paid their respect to late leader Ho Chi Minh.

4. Participation

65 delegates from Vietnam and outside agencies participated at the workshop (see list of participants). The break-down of the participation is as follows:

Vietnam

- * Government officers
- * Planning Committee
- * Investment and Joint Venture Committee
- * C.I.E.M
- * State Bank
- * Finance Ministry
- * Organisational Departments of the Government
- * Credit Cooperative Union
- * Economic Research Institutions
- * Presidents of People's Committees
- * Vietnam Women's Association
- * VICOOPSME

External Organisations

- * Cambodian government representatives (observers)
- * Laos government representatives (observers)
- * United National Development Programme (UNDP)
- * International Labour Office (ILO)
- * Food and Agriculture Organisation (FAO)
- * Swedish Cooperative Centre (SCC)
- * Cooperative Centre Denmark (CCD)
- * Canadian Cooperative Association (CCA)

- * Developpement International Desjardins (DID)
- * Japanese Consumers Cooperative Union (JCCU)
- * ICMIF/ZENROSAI
- * ICA ROAP.

5. Proceedings

The workshop was inaugurated on 16th May 1995 with a welcome address by Mr. Hoang Minh Thang, President of VICOOPSME. He gave information on the new cooperative policy of the government as declared by the Prime Minister who has emphasised the need for cooperatives to transform themselves in line with market economy to become a force. He emphasised the need to discuss various strategies for the future with active participation by foreign experts.

Mr. Lai Van Cu, Vice Chairman of the Government office welcomed the delegates and outlined the government policy and efforts on cooperatives in Vietnam. He provided details of the suggested cooperative legislation.

Mr. G.K. Sharma, Regional Director, ICA ROAP, welcomed the delegates and gave a brief history of ICA's participation in cooperative development in Vietnam. He detailed the involvement of other development partners as well. The ICA's involvement in drafting cooperative legislation was another contribution he mentioned.

Mr. Jurgen von Mural, Director, Enterprises and Coop Development Department, ILO Geneva, gave a welcome address on behalf of the ILO.

After the inaugural session, the entire day of 16th and forenoon of 17th May were divided for the presentation of review papers by various presenters. (All documents are included in this report). Mrs. Nguyen Thi Nghia; Dr. Nguyen Ngoc Le; Mr. Nguyen Van Yen; Mr. E. Mogensen; Mr. W.U. Herath; Ms. Phan Thi Loan; Mr. G.K. Sharma; and Mr. Domenico Viti, presented these papers.

During the session's of development partners, Mr. Hiroshi Okamura of ICMIF provided information on the ICMIF's links with the ICA being an affiliated member carrying out business as well as consultancy work. They provide re-insurance facilities as well as financial services. He emphasised the need for cooperatives in Vietnam to enter into insurance in the light of the emerging market economy and withdrawal of welfare services by the

government. He stated that ICMIF could provide support to VICOOPSME to conduct feasibility studies, re-insurance, training and consultancy services.

Drs. Robby Tulus provided information on behalf of the CCA on the technical support they provide in Vietnam through NIEPP and VICOOPSME. The CCA has trained cooperators of Vietnam through study tours in Asia and Canada. The CCA has an ongoing pilot project to set up genuine agricultural cooperatives in Vietnam. The project has 3 locations. He emphasised the difficulties in re-orienting people on new form of cooperatives. He also suggested to organise an annual development partners consortium in order to realise better understanding among development agencies and share experiences as well as help each other for a common goal.

Mr. Jens Sorensen, on behalf of the Cooperative Centre Denmark, gave information on the two projects the CCD has in Vietnam on fisheries and gender. He said that CCD desires to enter into cooperatives in Vietnam in a big way in the future. He also presented a video film on agricultural cooperatives in Denmark.

Mr. Andre Hotte of DID explained their joint venture with State Bank of Vietnam on information services. He too mentioned that DID is supporting to establish credit unions in Vietnam which will be federated very soon. He wondered whether there is a case for special law for credit unions.

Ms. Akiko Yamauchi of JCCU (as well as ICA ROAP staff) gave a brief description of the JCCU's support to Vietnam to train executives of supply and marketing unions and women cooperators in Japan. She was positive on the future involvement of JCCU to develop consumer cooperatives in Vietnam.

Mr. Malte Jonsson, on behalf of the SCC, (he is also a staff member of ICA ROAP) explained about SCC's involvement in cooperative development in Vietnam. He stated that SCC has funded studies on cooperatives in Vietnam, preparation of legislation, training of cooperative leaders and executives. He is positive on the continuation of technical support to Vietnam in the future.

Mr. Domenico Viti from FAO, Rome gave an assessment of the current situation of agricultural cooperatives in Vietnam. There is a serious decline of farmer agricultural production cooperatives since the land allocation has taken place. The findings of the survey conducted by FAO was that many

such cooperatives worked as agencies to the government to achieve targeted output of agricultural production by the government rather than working as cooperatives. He stated that FAO would organise a national conference to discuss the survey report and seek for solution on the problem of production and marketing cooperatives in the agricultural field.

Mr. Nuth Sakhon of Cambodia thanked the organisers for the invitation to join the workshop. He valued the first experience Cambodia received to understand the status of Vietnamese cooperatives and lesson from international experts. He said that cooperatives were set up there in 1960 which were destroyed by the Pol Pot regime. He also stated that his government is passing through a nation building programme and rehabilitation programme for the country. He would provide a suggestion to the government to re-organise cooperatives based on the experiences in Vietnam.

Mr. Chanthaneth Simahano presented the country situation of Laos. He stated that the incentives such as tax exemptions motivated the farmers to join cooperatives. The government has also experimented on collective farming, but failed. The government's policy on new economic mechanism (NEM) introduced in 1986 changed the socialist economy to a market economy.

During the plenary discussions, many Vietnamese participants expressed the need to know about values and principles of cooperation, as there had been a confusion on the subject. Dr. Von Mural of ILO and Mr. G.K. Sharma of ICA ROAP provided information on values and principles as well as distinction of cooperatives in contradiction to private companies.

By the end of the workshop discussions, many issues and concerns emerged.

6. Issues and Concerns

01. The enactment of the Co-operative Law in Vietnam which should be applicable to all types of co-operatives, and incorporates the Universal Co-operative Identity (definition, values and principles), hence ensuring that legal definition on Co-operatives in Vietnam is universally accepted and recognized.
02. An in-depth study on the position of co-operatives and/or pre-cooperative structures, vis-a-viz the Small and Medium Enterprises, in the current transitional economy that is characterized by a market-oriented economy.

03. A clear and common definition on various new terminologies used by VICOOPSME in Vietnam, such as Co-operative Economy, Collective Enterprise, Subsidized structure, traditional vocation, labourers vis-a-viz members, to name just a few. These definitions must be commonly understood by both local partners in Vietnam, as well as the international partners.
04. Member education and skill training at all levels of the co-operative structures in Vietnam, in order that co-operative members and practitioners are aware of the working of a co-operative as being distinct from old collectives or small group (private) enterprises.
05. Increased efforts by both Vietnamese co-operatives as well as international partners to strengthen the development of savings mobilization, rural credit, income generation, co-operative insurance, banking, consumers, and technical cooperation.
06. Human Resource Development programs which empower co-operative members through planned information, education, training, mobilization and manpower development, hence creating economically efficient organizations capable of providing services required by members.
07. Long term strategic planning to mobilize physical/financial capital, human and natural capital, as well as social capital.
08. Interaction and coordination among international partners to seek complementary inputs/outputs, as well as approaches, to co-operative development in Vietnam.
09. Introduction of advanced, yet appropriate, technology as well as management system conducive to the emerging market-oriented economy in Vietnam.
10. Inter-cooperative Trade to establish data base and network for trade in Vietnam.
11. An effective collaborative strategy, or network, among various government ministries, agencies, and co-operative development organizations and co-operative promotion groups in Vietnam, to avoid duplication and ensuring cohesion in undertaking co-operative development activities in Vietnam.

Resource Documents

Strategy for Developing Cooperative Economy to the Year of 2010

Part-I : The Process of Developing Cooperative Economic Sector

1. Before the Revolution of August 1915

Because of demands and interests of workers in many vocational areas, villages and groups, many simple cooperative forms bearing relatively village and local character had been established. Many traditional handicraft vocations have been developed to produce well-known products in and out of the country - bronze casting, paper, carving, ceramic, porcelain, etc.

Passing through nearly one century oppressed by the French colonialists, apart from building some branches as mining, light industry to serve the interests of colonialists and feudalists, the Vietnamese economy was backward and crippled. Industry and trade were under pressure and blocked. There were unfavourable conditions for developing simple traditional cooperative forms of workers but they still prevailed everywhere.

2. During the War Against the French Colonialists

The August Revolution succeeded. This was a historical turning point that transformed the feudal and colonial economy into a democratic and independent one. The Vietnamese State paid its great attention to rehabilitate and develop the economy in order to meet the requirements of defending the fatherland and improving life of the people. Just after a short time, many economic bases, trades, vocational areas and villages were in turn rehabilitated and developed.

During the war against the French colonialists, the Vietnamese State carried out the guideline "Fighting against the colonialists while building the

by Dr. Nguyen Ngoc Le, Vice President, VICOOPSME.

country". Agriculture, industry and handicraft industry were paid much attention while factories and workshops were built up to serve national defence. Bases of industrial and small handicraft industrial productions which were mainly the economic forms of the people were established and these bases created many kinds of products meeting the needs of the rear and the front line such as : metal wares, textiles, paper, leather, shoes, hats, mats, glass, processed agricultural and food products.

In the free zones, many sectors were expanded. The economy of people were developed, so it led in the establishment of economic forms of voluntary cooperation of people such as : handicraft workshops, groups, production teams. Until 1948 to 1950, the form of cooperative economy was created and were the first cooperatives of Vietnam. After going through years of transformation, some of these cooperatives have been existing, developing and acting effectively.

3. Periods of Developing Cooperatives

(a) From 1955 to 1960

- From 1955 to 1957 was the period of rehabilitating economy and healing war wounds in the north. During this period, the Vietnamese State advocated to propagate, mobilise, support and organise in order to lead producers and small traders to take part in the relevant forms of cooperative economy. At the end of 1957, there were 150,000 industrial and handicraft production bases with about 150,000 handicraft workmen, out of this 50% were directed and organised into production and processing groups, about 14% of workmen took part in cooperatives and in trading, 169 trading cooperatives were established which had 975 retailing shops.
- From 1958 to 1960: Coming into the period of socialist transformation, the establishment and development of cooperatives turned into a broad movement from urban to rural areas. At that moment, as labourers perceived that cooperative was the best way for them to march straightly to socialism, they had to join cooperatives. The cooperative economy gained multi support and encouragement from the State. Therefore, the cooperative movement succeeded in gathering millions of handicraft workmen, retailers, small traders, whereas big business households who were not in the list were transformed to public and private business combination.



Audience during the Inauguration



Mr. G. K. Sharma, Regional Director-ICA ROAP speaking at the Workshop



Workshop delegates visiting Sven-Vietnam Joint Venture Company



A cooperative garment factory, Hanoi



Inaugural Session of the Workshop



Mr. Lai Van Cu, Chief Guest, inaugurating the Workshop

Ms. Phan Thi Loan, from Vietnamese Women's Union addressing the Workshop





Delegates of the Workshop on Cooperative Development in Vietnam, 16-19 May 1995 - Hotel Villa, Hanoi, Vietnam

- At the end of 1960 : Basically, the north completed the socialist transformation. About 2,760 industrial and handicraft cooperatives were established with 220,000 cooperative members and labourers accounting for 70% handicraft workmen in urban area and rural area. There were 251 trading cooperatives with 4,450 retailing shops. There were thousands of cooperatives to be founded in the fields of transportation, construction and fishing.

The success of the socialist transformation in the north firmly established the socialist production relations that consisted of the two main economic elements, i.e. state business and collective business. They were the two basic economic elements of the national economy at that time.

On the basis of the established socialist production relations that increasingly strengthened and perfected as at the first step, material - technical base had been constructed and improved increasingly. This promoted the rapid development of the national economy in which there was the cooperative sector. In 1961, the value of handicraft and industrial production reached VND 293 millions, an increase of 191% compared with 1960 and accounting for 50% of total value of industrial production. Total retailing of cooperative sector accounted for 23.15% of the entire society.

(b) From 1961 to 1975

The guidelines for continuously strengthening and developing cooperatives in every field resulted in the development from low-level cooperative to high-level and gradually to socialist production on a broad basis.

At that time, the Vietnamese people implemented two strategic tasks : economic development and national liberation - especially in the period of 1964 to 1972 there was a fierce war, the cooperative economic sector had some certain difficulties, but it still was strengthened and developed.

To the year of 1975, there were 3,091 handicraft and industrial cooperatives with 540,000 members and labourers, their value reached VND 1.132 millions, accounting for 27.9% total value of industrial sector. Export value reached US\$/Rouble 21.2 millions, accounting for 16.4% of total export value of the whole country.

In trading, there were 5,410 cooperatives with 9,025 selling outlets. 95% of villages in the north had trading cooperatives. Retailing reached VND 741

millions, accounting for 6.6% of the whole society. In transportation, there were nearly 1,000 road and river cooperatives with mechanised equipment. The highest annual volume of goods transportation reached 7 million tons, accounting for 16% of the whole transportation industry. Goods volume continued to reach 276 million tons/km, accounting for 3.8% of the total volume of the whole sector.

Thousands of constructing collective units were established. They were able to execute medium-sized industrial and civil projects, combining with state constructing units conducted as a part of big projects. In the rural areas, housing groups and irrigation construction units were developed widely. They could execute the projects with the investment budget for their locality.

(c) After the National Liberation (from 1976 to 1986)

The motherland was united. Whole country implemented socialist construction. The south began to maintain the guideline of the industry and commerce transformation in order to carry out the motion of cooperative construction. Though they met with difficulties but through years of motion and construction, cooperative movement developed equally. As of 1981, the southern provinces established 7,220 cooperatives in many fields and also many economic cooperative forms such as groups, teams, etc. Among these, there was a considerable number of private groups under the name of cooperative sector.

Generally speaking, the period from 1982 to 1987 was a period of development and settlement of cooperative economic sector with about 50,000 cooperatives in the fields of industry, handicraft, transportation, construction, trading and service.

In the industrial sector and small industry, there were more than 32,000 collective economic units reaching a total production value of VND 32,958 millions, accounting for 35.3% of the total value of local industry and 23.9% of that of the whole country, absorbing and settling jobs for 1.2 million labourers.

In transportation, there were 2,200 cooperatives with more than 100,000 members and 73,000 tons of equipment. The transportation volume reached 11,400,000 tons, accounting for 21.2% of the whole sector. The highest annual volume of goods transportation reached 423.5 million tons/km, accounting for 4.6% of the whole sector.

In construction, 3,913 cooperatives and cooperative groups with 287,000 workers supported the state construction force efficiently, meeting the requirements of small and medium sized projects in localities.

Through decades of war and peace concurrently, with the idea of economic development consisting of two main elements, state and collective, and with policy structure relevant to the above said idea, the cooperative economic sector developed strongly in its position and role which contributed an important unrejectable part to the cause of national liberation and economic construction of the whole country.

(d) From 1989 up to now

Real State and Reasons: Since the implementation of economic reformation, development of multi-sector economy according to the market structure, the cooperative economic sector of all fields and industries that was established and developed in line with previous direction and structure met with difficulties and reduced rapidly.

Many cooperatives that were unable to be in line with the new structure had to be disbanded or changed into new economic forms. Many cooperatives had to restrict their activities, to act half-heartedly; in reality some cooperatives had to stop their activities and they only existed nominally. As of 1993, in industrial and small industrial sector, there were only 4,000 cooperatives and cooperative groups. The production percentage of 1992 reduced to 2.5% compared to the total value of the industrial sector.

In trading, there were only 800 cooperatives and they accounted for a negligible percentage of turn-over in the market. In transportation, there were about 900 cooperatives.

In construction, some cooperatives were transformed into private businesses and a major part of cooperatives turned to establish construction groups and teams which did not have business registration and contracted to construct projects or to work for hire. The number of construction cooperatives is negligible.

To the end of 1993, there were about 6,000 cooperatives in such fields as industry, handicraft, transportation, construction, trade and service; out of these, an half still continued normally. From the end of 1993 to the beginning of 1994, the decline of cooperative sector slowed. Through years of tests,

many old cooperatives have changed their production and business directions in conformity with market demands, improved technology and equipment, organisation and management, ownership relations, distribution and cooperation so they are able to settle again, to act effectively, some cooperatives have started to develop. Going simultaneously with the restructuring of old cooperatives, some cooperative economic forms have appeared with diversification and abundance such as : collective enterprises, joint stock cooperatives, service cooperatives, inter-quarter cooperatives, cooperative unions, production teams, product groups, economic associations, etc.

These forms have been established on the basis of old cooperatives or because of requirements and interests of labourers, economic households and businessmen in the market structure who volunteered to establish these forms; although they still have not had clear shape, they have been in line with the development realities, with the basic principles of cooperative models.

The real state of cooperative economic sector at present is, compared to 1988 and before that year, the number of cooperatives have reduced greatly, accounting for negligible percentage in the national economy, but they gradually have been settling and developing and the requirement of setting up relevant and diversified cooperative models in line with the principles of real cooperative acting in accordance with market structure has been appearing.

Reasons of the decline of cooperative sector in the period of 1989 to 1993
: There are many reasons leading to the decline and disintegration of the collective economic sector, but mainly as following :

- The subsidised structure was the basis for the existence and development of cooperative models previously; at present, cooperatives themselves have to arrange everything, in which they meet many difficulties. Many cooperatives those still act according to old models have been losing their directions and restricting or stopping their activities.
- Cooperatives that were established with the constraint in order to rapidly collectivize the production material and to abolish private economy. Perhaps they did not respect cooperative principles fully while implementing the guidelines of developing a multi-sector economy according to the market structure. The cooperatives that established and developed previously have been irrelevant. Many cooperatives have to transform into other economic models.

- Market fluctuation, the application of open policy makes the inflow of imported goods (many contraband goods). The scope of old USSR and East-European markets have restricted influence greatly and these factors make many cooperatives to stop their business and production.
- The development of the multi-sector economy has to accept the law of competition. In order to survive strongly, enterprises have to change a great deal, among which the technology change is the most important factor, but the capital mobilisation of the collective economic sector has also been limited. Furthermore, cooperatives have been poor in technical know-how and management. They still have to adjust themselves to the centrally planned and subsidised structure due to which they have not been dynamic and creative.

While turning to the market structure, many cooperatives have not gained enough conditions for improvement. Unless they can conform with the new structure, they cannot exist.

- While transforming the economy, although the State has set guidelines of restructuring cooperatives, there are inadequate concrete policies and methods to support, to help, and to create favourable conditions for cooperatives to change. It is also late in supplementing and adjusting cooperative policies, at the same time some policies for encouraging private economy have been issued, resulting in the acceleration of the reduction of the cooperative economic sector.

Part-II : Views, Objectives, Directions for Developing the Cooperative Economic Sector to the Year of 2010

1. Favourable Factors

In building strategies for developing cooperative sector while cooperatives are in a weak position and are still continuing with their rapid reduction or transforming, new models of cooperative economy have not yet been in a clear shape. Furthermore, the Cooperative Law has still not come into being. These are immediate difficulties. But on the general view of the national development, there are many favourable factors and these factors will be brought into play step by step. They are :

- 1.1 The Constitution of the Socialist Republic of Vietnam and the line of developing economy of Vietnam confirm the position, the role and the support of the State to the cooperative economic sector. "... For collective economy that gains the fund contribution, production cooperation from citizens, business is organised under many forms on the principles of voluntary, mutual benefit, democracy, the State creates favourable conditions for strengthening and expanding cooperatives to act effectively ...".

(Clause 20 of Constitution of the Socialist Republic of Vietnam).

"... State economy plays a decisive role, collective economy increasingly has been strengthened and expanded and the private economy still has a rather big scope, step by step it has been coming in the way of cooperative business".

(The Platform for building country during the transformation to socialism - Document of the 7th National General Party Conference).

"... Our Party advocates to carry out uniquely the policy of developing multi-sector economy, considers it a long strategic task, encourages every social background and every class of citizens to invest in expanding production, protects legal interests of owners but it has to pay its attention to build, to strengthen state economy, to develop cooperative economy, to make the state economy and cooperative economy step by step become the foundation of economy ...".

(Document of the 7th mid-term National General Conference).

"... To continue the renovation and perfection of the collective economy according to the principle of voluntarism, democracy, equality, to bring into play and to combine harmoniously the collective strength and the member strength. To develop diversified cooperative models and to enlarge collective economic models in agriculture, small and handicraft industry, trading, credit (in rural areas)".

(Document of the 7th National General Party Conference).

The above mentioned confirmation is totally correct in both reasoning and reality and it will open the outlook for developing cooperative economic models in our country.

- 1.2 During the period of developing multi-sector economy in our country, the private economy, especially household economy and individuals, will develop very fast. But in the concrete conditions of our country, the capability of expanding business of small enterprises, households, individuals, etc. has been limited. Furthermore, they develop in the competition and integration at the very beginning. So the individual development of each independent economic element for some time will require integration on the basis of relevant methods. Only by this way, a small individual producer can exist. Cooperative models established voluntarily by individual producers will come into being and develop.
- 1.3 The process of economic transformation in the direction of industrialisation, modernisation and social labour distribution will develop, the labour force that needs jobs will continue to increase, consumer demands will also increase very fast. While the State enterprises direct key sectors and industries, the rest will be in the attention of non-state economy. Therefore, the appearance and development of cooperative economy independably will link with the period of economic structure transformation and directly influence this period, speed up industrialisation process, modernisation and urbanisation in rural areas.
- 1.4 The economy of our country is gradually keeping pace with the regional and world economies. Vietnam now is a member of the International Cooperative Alliance. These are also the important favourable conditions for the development of the cooperative economic sector.

2. Views for Developing Cooperative Economy

- 2.1 Cooperative economy is a product of the goods production that has been developing to a certain level. From this view point, cooperative sector that has been established and developed in the market economy in our country is in conformity with the objective law. But because of the dependence on different knowledge and conditions of various regions and industries, cooperative development should start from the demands and practical interests of each trader, households and labourers. They should join voluntarily, without restriction and imposition.

- 2.2 Cooperative members themselves choose and decide the model of cooperative and relations. It is indispensable to shape some cooperative models for directing and orienting but it should be not rigid. All cooperative models must keep to the key principles of cooperatives.
- 2.3 The development of cooperative models must bring about the economic efficiency for society : to develop production, absorb a lot of labourers, high quality and efficiency in order to contribute to the implementation of economic and social development strategy of our country.
- 2.4 Cooperative is an economic and social organisation of the majority of our people, for this the Government has to support in helping and creating favourable conditions for the cooperative economy to develop. Cooperative economic development should be considered as one of the steps to implement the target - rich nation, powerful country, equal and civilised society.

3. Development Targets

3.1 *Targets of developing cooperative economic sector*

In order to contribute in implementing targets of the social-economic development of our country to the year of 2010, cooperative economic sector will have to set general targets as follows :

- To develop the cooperative system in the whole country by absorbing majority of small enterprises, economic households, etc. belonging to industry - small handicraft industry, trading and services, transportation, construction which are to take part in cooperative models. The target is to absorb about 15 millions of labourers into this sector.
- To change basic technology - popularly they will be at the levels of mechanism and electrification. For some fields, production will reach the level of updatation and ingeniousness. Till 2010, the technology level of our cooperative economic sector should keep pace with that of regional countries.
- Cooperative economic sector will become an important social-economic force internally as well as externally. We strive to gain the rate of 50% in GDP of the non-state economic sector.

3.2 *Targets for each period*

- From 1995 to 2000 : To expand the implementation of cooperative law, to restructure existing cooperatives, to develop new cooperative models and others. The cooperative economic sector will become a stable social-economic force and it will develop. Till 2000, about 20% of small enterprises, economic households and labourers will consolidate themselves into cooperative models absorbing about 5 millions of citizens to join cooperatives. Investment will be made for changing old and backward technology and equipment which will reach the percentage of 15 - 20% of GDP of non-state economic sector.
- From 2001 to 2005 : To continue the development of cooperative models, to develop some large scale cooperative economic models, groups, super markets, etc. To try to have a rate of 30 - 40% of small enterprises, households, and labourers who will join cooperative models in 2005, absorbing about 10 millions of citizens to join cooperatives. To invest deeply, to modernize partly, to strive to reach the rate of 30 - 40% of GDP of the non-state economic sector.
- From 2006 to 2010 : On the basis of 10 years to implement strategy, we will access and set out methods in order to reach or to surpass the targets to 2010 and we will continue to build the strategy for developing cooperative economy for following years.

4. **Development Direction of Some Branches**

4.1 *In industry - small handicraft industry*

In line with the restructuring and strengthening of existing cooperatives and the development of new cooperative models, we strive to gather about 50% of traders, economic households absorbing about 10 millions of workers into cooperatives and other relevant models.

Regarding development directions : We should direct to the sectors and industries which can bring into play the strength of collective economy in conformity with the characters of this economic element in the fields of production scope, technology level, labour capability and the level of developing economy and society of the whole country. We will pay our attention to processed products and assembled products. In rural, high land and seaside areas, we will develop small industry strongly and concentrate

more on processing agricultural forestry and sea products with the help of relevant technology, meeting the requirement of processing on the spot. These fields require efficient labour distribution and cooperation.

In the crown and urban areas, we should develop rapidly vocational areas in order to absorb more and more workers. In the regions that have on the spot labour force and traditional vocation, people can produce ingenious goods with high quality, meeting the domestic and export demands.

During the development process, we need to combine closely specialisation with diversification, to open widely economic relations with state and non-state enterprises through relevant steps.

To strive to reach the growth rate of 14 - 16% annually.

4.2 In trading and service

To develop trading cooperative models widely in rural and highland areas, in combination with the state trading, to meet the production and consumption requirements of people in these areas, to influence actively the rural economic structure in the direction of industrialisation and modernisation. From the 80:10:10 structure at present (agriculture 80%, industry 10%, service 10%) to the 50:50 structure in 2010 (agriculture 50%, service 50%).

The development direction of trading and service cooperatives linked with inhabitant areas, village and district markets; activities of trading cooperatives should direct to the fields that are not covered or done inefficiently by other economic elements.

To 2010, we strive to turn state trading and cooperative trading into major forces to govern and to run the rural, highland and mountainous areas; to bring into play the effect of exchange and combination between industry and agriculture in urban and rural areas in order to promote a higher rate of rural urbanisation.

4.3 In transportation

In the coming years, state transportation will develop in the directions of centralisation, meeting requirements of transportation of goods and passengers in great quantities, meeting important requirements of the

economy and society as energy, infrastructure building, import and export, mountainous regions, highland, frontier, natural defence, security, etc. and other requirements, mainly for the development of non-state transportation.

The growth of transportation has been forecasted at 8% - 12% annually. Upto 2010, state transportation force of road and river lines will meet just 50% of requirement. Therefore, conditions for non-state economic elements to develop road, sea and river transportation and inter-province or province to province will be promising, because of the character of our country that the number of limited companies, joint stock companies, private transportation companies are still small, mainly consisting of small enterprises, households, individuals, etc.

On the other hand, because of specific character and management requirements for transportation activities, it is necessary to gather transportation forces into relevant organisation models. Till 2000 we strive to gather the majority of households and businessmen who are dealing with transportation into transportation groups, associations, teams, cooperatives, etc. The development of cooperative economic models in transportation should accompany with the reorganisation, mechanisation, improvement of facilities, communication safety, social order, civilisation, and convenience. We should pay attention to developing transportation forms and organisations in rural areas, highland and mountainous areas with rudimentary and mechanised facilities to meet transportation demands of the people in these areas.

4.4 In construction

From now on to the years of 2000, 2005 and 2010 the process of industrialisation, economic transformation, rural urbanisation will lead to very large construction demands and the state construction force mainly will meet the demand of building large important projects. These are favourable conditions for developing cooperative models in the construction fields.

Regarding directions : To establish cooperatives, associations, cooperative groups, construction teams or units of labourers, to link these organisations into a system that can support each other and to create a strong force in order to undertake or take part in building large projects.

The directions for developing is to build civil projects, moderate and big projects; to develop strongly the production of building materials, high

quality materials to meet domestic and export demands; to develop the construction of infrastructure projects in rural, highland and mountainous areas.

Part-III : Solutions and Policies

In order to carry out successfully the targets for developing cooperative economic sector till 2010, we should have the following synchronized solutions and policies :

1. In order to secure the development of economic elements in the direction of socialism, we should orient and plan the development of each economic element in the whole country, in each branch, in each field and each locality. From this foundation we could create areas, orientations and projects for the small and medium economic sector, economy of the people and cooperative economy to develop.
2. To complete the legal system for all business models : to issue the law on state business, to adjust and supplement the law on private business and the company law and to issue the law on cooperative. All the above mentioned laws must express the orientations that set out in the point 1. In line with general policies for economic elements, we should have some policies that express clearly the encouragement, the support to the cooperative economic sector which is one of the economic elements ensuring the development of the oriented-socialist economy.
3. State economic sector and big enterprises need to concentrate to key branches and fields, to create infrastructure, technology, equipment, materials, markets, etc. to support and promote the small and medium economic sector, household economy, cooperative economy and to create a mix and chain strength for the economic development to the highest social-economic efficiency.
4. Capital has a very important role for the economic development. In line with the implementation of encouraging policies and fund attracting policy, we should have special policy, especially during first period to attract capital into cooperative economic sector. When a cooperative succeeds in attracting a capital of VND 1 from the people then the State should provide loans without interest rates or with corresponding low rates in order to "fall a prey" to support the development of cooperatives.

5. In the long-term and annual budget plan, the state reserves a part for the implementation of cooperative economic development projects, mainly in the fields : investing, studying technology, creating material sources, job settlement, training, information, marketing, etc. in order to support the development of cooperative economic sector.
6. Supplementing, adjusting, making perfect import-export policies with the unique view, i.e. to expand economic relations with other countries in order to speed up the development of national economy. We should have policies for supporting and protecting the production and consumption of domestic goods, enlarge the external relations of the State in the scope of cooperatives and cooperative economic sector in order to make good use of the help from foreign countries and organisations to develop cooperative economy.
7. To renovate state administration structure for cooperatives: to establish a state agency for the development of cooperatives.
8. To strengthen, to restructure representative organisations of cooperatives. These organisations should be really of cooperatives and for cooperatives. To strengthen and to develop models of cooperative unions, consultancy centres, economic-social organisations for supporting cooperative economic sector practically and effectively.
9. The important solution is to unify views, guidelines for developing cooperative economic sector, to create the evolvement on perception and activity, to carry out propaganda, to educate cooperative idea among the people and to create a deep movement from the people to join in the development of cooperative economic sector.

Cooperative Situation and the Process of Transition, Cooperative Economic Development in the Market Economy

Cooperative economy has been established in Vietnam since the beginning of 50s and enlarging its number strongly in the years of 1960-62 in the north and during 1976-78 in the south linking closely with the revolution of production relationship.

Over the last 40 years, more than 50,000 cooperatives, cooperative unions, cooperative groups in the fields of industry, handicraft industry, transportation, trading and service, construction have been set up and operated, taking an active part in settling economic-social problems confronted during each period of the national revolution.

In the fields of industry and handicraft industry, the production bases belonging to cooperative sector have been undertaking its important role to utilise materials and labour force and creating various products to meet domestic and export demands. On annual basis, at the highest period, this sector produces goods accounting for nearly 30% that of national industrial production value and more than 50% that of local industrial production value. Annually, this sector absorbs and settles jobs for a social labour force of more than 1.2 million labourers.

With tens of thousands of facilities, transportation force in cooperatives has a share of more than 45% of goods and 50% of passengers transported to distant localities.

In the field of construction, many civil construction projects conducted by cooperatives, cooperative groups and cooperative producers meet more than 60% of building materials demand.

In trading and services, supplying and trading cooperatives contribute a

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great part in purchasing, undertaking goods flows, consumer goods made by small producers and retailing consumer goods, especially essential items to serve people in rural areas. At the highest, retailing turnover of supplying and trading cooperatives accounts for 17% of distributed retailing goods of social market.

We can say that 1988 was the year at the pinnacle of the development as well as the year of marking the beginning of a substantial transitional period of cooperative sector in the fields of industry, handicraft industry, transportation, construction, trading and services while we have been conducting comprehensively an economic renovation, abolishing the state subsidised structure, forming the multi-sector economy which will be moving according to the market structure with the management from the State. This is a big challenge to the cooperative sector which was originally set up and managed by the subsidised structure separately to the market. The period of 1989-93 was the one of crisis of the cooperative economy, during which cooperatives broke up, disintegrated or turned into other forms as limited liability company and private business. Number of units, number of labourers, business turnover and production volume reduced rapidly.

In industry and handicraft industry, at the end of 1988, there were 32,034 cooperatives and cooperative groups. As of the end of 1993, nearly 4,000 cooperatives and cooperative groups were left. Production volume by cooperatives and cooperative groups accounted for only 6% that of the whole industry.

In 1988 we had 9,600 supplying and marketing cooperatives, but as at present only 800 are left which account for 1.9% of market share.

The same fate happened to transportation and construction cooperatives too. In 1988 there were 2,200 transportation cooperatives, but at the end of 1993 only 900 transportation cooperatives and 300 construction cooperatives were left, mainly concentrating on producing building materials.

However, with the tough challenge of market structure during the last few years, a section of cooperatives have been succeeding in overcoming obstacles, and taking initiatives in restructuring organisation, management and activities, adapting themselves with new mechanism, finding out their own directions, developing effectively production and marketing and orienting themselves to the models of genuine cooperatives.

Experiences extracted from restructured and developed cooperatives during the years of 1989-93 are of great value. These experiences have been studied, summed up and guided to apply widely in 1994 which was the first year of implementation of reorganisation, and developing cooperatives approved by the first National Congress of Cooperatives.

With the efforts and achievements gained in 1994, the cooperative sector has been stable and gradually developed, putting an end to the decline during the 1989-93 period. During 1994 alone, 120 cooperatives were established. Thousands of cooperative groups, product groups and vocational associations have been organised to absorb a great number of labourers in the society. The development of various cooperatives has been leading to the formation of new vocational villages in rural areas, creating vitality and confidence of the society towards a new cooperative model.

Most of the cooperatives in the fields of industry, handicraft industry, transportation established during previous subsidised system has now been transferred into the model share holding cooperative. As for trading and construction cooperatives, they have also been restructured in line with genuine cooperatives.

From the experiences of units that were successful in renovating and acting efficiently, and multi economic cooperative models that have been established for the last few years, we can draw the following basic contents of restructuring and development process.

Regarding organisation of cooperative : Cooperative groups have been restructured in many directions according to the character of each vocation. The voluntary principle has been comprehended and implemented; cooperative members are feeling free to join cooperatives on the basis of their interests. In a cooperative, each member has one vote. Organisation structure for managing cooperatives becomes simple and compact, ensuring the initiative of directors in operating production and marketing activities.

Regarding the forms of organisation and activity : Cooperatives based on character of each vocation, production and marketing process and expectations of cooperative members to choose the appropriate and effective mode of activity have following main characteristics :

- * **Cooperatives of servicing and supporting** : Cooperatives only do servicing and supporting activities that cannot be done or inefficiently

done, such as input and output. Supporting in marketing and production, undertaking services in supplying materials, technology transfer, credit, consumer services, etc. (for industry and handicraft industry cooperatives) or arranging wharfs, flows, goods sources, risk settlement etc. (for transportation cooperatives), are some of the business undertakings of cooperative members. Cooperative members contribute shares from their own capital, transportation facilities, production material. These contributions are noted down in working capital of a cooperative. Each member is the owner of his (or her) share capital which he (or she) directly controls, utilises and exploits. Cooperative member contributes a certain proportion depending on production and marketing turnover or outputs of supporting services conducted by cooperative to each household for setting up common funds of the cooperative.

- * **Concentrated production cooperative** : Cooperative members take part in and contribute their shares to cooperative, then their cooperative invests in building concentrated production units. Business and production activities of cooperative are conducted under the organisation and operation of the Administrative Board and Director.
- * **Cooperative engaged, both in supporting, services and concentrated production** : Under this model, the production process is mainly undertaken by each household and cooperative only organises the concentrated production in some vital parts only - some processes that require high technique and complicated technology. Part of shares contributed by cooperative members are invested in building concentrated production bases and the balance are controlled, exploited and utilised by cooperative members.

The above mentioned models of organisation and activity have been mainly implemented in the fields of industry, handicraft industry and transportation. Regarding supplying and marketing cooperatives, many cooperatives have been reorganised in line with economic-social characters, markets of locality, and independent from the administrative boundary. In some rural areas, supplying and marketing cooperatives have been turned into general services cooperatives, directing their activities to organise production services including agricultural production services and services to serve the life of a coop member. For construction cooperatives, most of these cooperatives only maintain their compact and simple structure consisting of a manager and a technician. They mobilise more labour force when needed only.

The restructuring and development process of cooperative sector for the last few years has been under experiment in many-sided models of organisation such as product groups, cooperative groups, collective enterprises, cooperatives, vocational associations, cooperative unions, etc. The characteristics of such types of cooperatives are as following :

- * **Product group** : It is a simple cooperative form, some households who produce the same items to coordinate with each other to procure "inputs" and "outputs" of their production such as materials, consumer goods, exchange of technology and their agreed pricing, etc.
- * **Cooperative group** : It is a low level of a cooperative, some households contribute their capital, their power to organise their production and marketing. This is the most popular now in rural localities form.
- * **Collective enterprise** : This is organised according to the principles of cooperative, being applied to the concentrated production units. The vital characteristics of this form are the collectivization at the highest level of production means, in which the role of managing director is heightened. The director is responsible for his decisions in all activities of the enterprise. Personality and rights of coop members are reflected in their work like workers in enterprises and they get their salaries.
- * **Cooperative** : This kind is organised in three forms that have been mentioned above - cooperative of servicing and supporting; concentrated production cooperative; and cooperative engaged both in supporting services and concentrated production.
- * **Vocational association** : This consists of individuals, production business units that are dealing with the same vocation. gather to support each other in production and business as experience exchange, price agreement, helping each other to overcome risks. Association represents in protecting proper interests of members.
- * **Cooperative union** : This is the form that cooperatives, cooperative groups, collective enterprise, etc. to unite on the principle voluntariness. Members of this union are independent cost accounting units. Union works on the basis of capital contributed by members in order to support and increase the efficiency of production business of its members - especially in the relations with internal and external economic organisations.

- * **Reorganisation of management** : Defines clearly the ownership of cooperative members, repricing value of assets and capital. After deducting state loans and paying other loans, the balance is used for calculating share value of each member on the basis of member's initial capital contribution and their period of working. Coop members who are going to leave their cooperative will be repaid their share capital and at the same time cooperative will mobilise shares according to new pricing level required by production and business. In some cooperatives, after recalculating share value for their members, sets aside from 20% to 30% of asset value and capital to set up a source of un-divided fund or maintain the development of cooperative.
- * **Regarding the payment for labourers and income distribution of cooperative** : Labourers of cooperative are paid according to their efficiency, mainly under the form of piece-rate wages. If labourer is a coop member, apart from his wage, he also enjoys the interest rate of share depending on his capital contribution and business outputs of the cooperative. After finishing tax obligations to the State, net profit is allocated to some kinds of fund - share dividend fund, accumulation fund, development fund, welfare fund, award, training, etc. The distribution rate to the above types of funds is determined by the cooperative meetings and it is reflected in the rules of cooperative.

The reorganisation mentioned above has been reflecting clearly the advantages of new model of cooperative when compared to the old one. This has been recognised by coop members. Most of restructured cooperatives have been launching their activities and developing to contribute their share to settle jobs and create income for labourers, especially in rural areas. Many vocational industries of cooperatives have been rehabilitated and developed such as weaving, production of export products from rattan, jute, rush, food processing engineering, wood products, ceramics, building materials, etc. Many cooperatives have been bold in investing in technology change, product quality improvement. Therefore, their products have been exported and gained high reputation in foreign markets. The number of cooperatives with high efficiency has been increasing, at present among 6,100 cooperatives that are existing, about 40% are acting very effectively, compared with 30% in 1993.

During the period of more than 40 years with ups and downs of the cooperative movement, the historical role and active contribution of cooperatives to the cause of rehabilitating, developing economy and

defending our fatherland should be recognised. In the restructuring process, the model of a real cooperative has an important role to the economic development in the new stage of the country, i.e. exploiting resources to create various products to meet the needs of domestic and export markets, settling jobs and incomes for labourers, also making active contribution in developing industry, transforming the structure of rural economy and developing traditional vocations.

In order to facilitate the development of cooperative economy, there should have been an agreement as to the view point on the perception from central administration to localities on the roles, positions and development requirements of the cooperative economic sector. It should have relevant solutions and policies, complete structure of regulations, rules for the cooperative sector, intensifying the State management of related ministries, strengthening organisation structure and enabling the Central Council of Cooperative Union and Small and Medium Enterprises of Vietnam to function efficiently.

To develop the cooperative economy in the market economy is the objective requirement of small producers. With historical experiences and supporting from the State, we can ensure a solid development of cooperative economic movement in Vietnam in the coming years.

Critical Contents of Strategies to Develop Cooperative Economy in Vietnam to the Year of 2010

In the strategies to develop a multi sector economy in the direction of socialism, our Party and State pay special attention to intensify and develop cooperative economy. This has been confirmed in the Resolution of the 7th Party National Congress as well as in the Central Resolution of the 2nd, the 5th and the 7th in the Resolution of mid-term Party National Congress. The setting up of strategies to develop cooperative economy to the year of 2010 is directed to concretise the above directions and guidelines.

I. Present Situation : Background and Development Potentiality

1. Present Situation

After the liberation of the north, cooperative models have been set up in the fields of industry, handicraft industry, construction, transportation, trading and servicing, etc. After the unification of the country, cooperatives continued to be intensified and enlarged all over the country. During establishing and developing of the government system, cooperatives have made active contribution to the cause of national liberation, building and defending the country. However, for the last few years, with the removal of state subsidised system and the establishment of multi sector economy in line with socialist directions, the cooperative economic sector has been facing difficulties, serious challenges and gradual reduction in numbers.

In the case of industrial production and handicraft industry, during 1988, the entire sector had 32,054 production units and at the end of 1993 only 4,000 left - a reduction of 28,054 units or 87.4%. The number of labourers in 1987 was 1,137,206, in contrast to 1993 which had only 287,000 - a reduction of 850,206 or 74.7%. The percentage of production value in 1988 was 23.9% whereas in 1993 it was only 2.5%.

by Dr. Nguyen Ngoc Le, Vice President, VICOOPSME.

In trading sector, in 1986, there were 28,867 supplying and trading cooperatives, and at the end of 1993 only 800 left - a reduction of 24,867 units or 86.1%. The percentage of retailing and servicing of supplying and marketing cooperatives in 1986 was 14.6% but in 1992 this rate was only 1.6%.

In the transportation sector, till the end of 1993, there were only 900 units that still worked, compared to 2,200 ones previously, a reduction of 1,300 or 59%.

In construction, now only 200 cooperatives left compared to 500 cooperatives previously.

Nearly among 6,000 cooperative economic bases that have been working, only 40% are working stably and efficiently and 30% working in moderation. The rest are now in difficult situation and incurring losses.

The above situation has been caused by the following vital reasons :

- * Perception of nature and role of cooperatives has been incorrect : Cooperative economy has just been considered as a support to national economy and the production and business activities of cooperatives have been in the form of processing and ordering. Being a satellite to the State selling agent and consignee for state economic units, cooperative sector has experience taking initiatives and equality in their relations with other economic organisations.
- * Organising and building cooperative models has not based on the concrete economic and social conditions of our country. Non-observance organisation principles of cooperatives; ownership in cooperatives of being unclear; lack of diversification and flexibility; in tough organisation models, high collectivisation; principles of mutual benefit; interests of cooperative members being violated and the way of managing cooperatives exactly following that of state business management have affected such an application.
- * It is late to adjust the management structure, policies and regulations for cooperative economy. State management of cooperatives has been relaxed as well as inflexible and there is a lack of instructions and concrete help.
- * Material and technology bases has been in backward, not well enough invested, staff of many cooperatives have not been trained systematically and critically on cooperative economy, especially key officers and technicians.

2. Background

The economy of our country has been gradually stable, reflecting the growth at the beginning. Economic structure has been moving in the direction of industrialisation and modernisation; the open economic policy has been obtaining encourageable results.

While market structure with the state management has been forming and developing, many macro-management policies have been issued and are being amended and comprehended. The united and networked national markets have been established and linked with regional and world markets.

Our party and State have clear and united views. Guidelines and directions for developing multi sector economy in which State economy and cooperatives have been considered the foundation of the national economy.

The organisation system at the central level representing the cooperative economy has been being intensified and enlarged in localities, relations with International Cooperative Alliance is developing and strengthening day-by-day, while the cooperative economy starts to have its development directions.

Apart from the above advantageous factors, cooperative economy is facing difficulties and challenges :

- * There is a different and inadequate perception of character, role, objectives, organisation and activity areas of the cooperative sector. There has been lack of confidence towards cooperatives because of inefficiency in the past.
- * The system and structure of the representative and supporting organisation has just been formed without a clear picture. Macro management policies and State management towards cooperative economy have been in the process of studying and not integrated still. Law on cooperatives, a legal basis for cooperative activities, has not yet come into being.
- * Market development between urban and rural, and between regions is not equal. There is a fierce competition within the economic sectors as well as domestic and external. Cooperative economy is still weak in the organising structure, material and technical basis, lack of capital for investment and business development, lack of market information, lack of business and management experiences.

These disadvantages cause many difficulties to this sector during the restructuring and development.

3. Development Potentiality

Manpower and capital : We have an immense source of labour force, especially in rural areas, with their skills, higher professionalism, especially in the field of handicraft industry. Idle capital kept by citizens is still huge, we can motivate this source for business and production if we have proper policies.

Vacations are diversified and plentiful. There is a possibility to absorb labour force and spot materials and skills of labourers. Some fields such as food processing industry in rural areas will develop, vocational villages that have been being rehabilitated and developed.

There is a plentiful source of materials for developing forestry, agriculture, marine industry, building material, wood items, ceramics, handicraft production, civil consumer goods for domestic and export demands.

Domestic market is quite large, especially in rural and industrial zones, towns and districts. Purchasing power is high and increasing day-by-day. Regional and world markets have been developing and will enlarge further.

II. Development Views and Strategic Objectives

1. Development Views

In the given situation of the multi-sector economy and deeply routed internationalisation, the cooperative economy will have an important role and position in the economic and social life of the country. Therefore, in directing the development of multi-sector economy according to our Party's views and guidelines, we should build and develop the cooperative economy in line with cooperative principles. Special attention should be directed to principles of voluntariness, equality, mutual help and democratic management and the development of present cooperative sector should be considered an objective necessity of the industrialisation and modernisation process.

The representative and supporting organisation of the cooperative economy is an integrated system from the centre to localities, it operates in line with

the regulation of the Central Council of Cooperative Union of Vietnam, the cooperative law (to be issued) and observes laws of the Socialist Republic of Vietnam.

Development of cooperative models that are diversified and plentiful in vocations, sizes, activity forms and management ways depends on vocations, economic - social and geographic conditions on the basis of ensuring critical cooperative principles and the economic elements stated in the 66 Decree of the Government.

The State has the role of managing activities of the cooperative economy, policies and regulations in a uniform manner and has to ensure the environment of cooperative economy to develop and ensure independent rights, real democracy and equal rights of cooperatives within the legal environment. The State has to plan the development of cooperative economy and investment policy to conduct that plan for each period, etc.

A comprehensive view of economic and social efficiency in business production activities and development on the basis of implementing principles of business accounting when they are not financed by the state, depends more on the increase of labour productivity, economisation and competitive power.

2. Strategic Objectives

- * To establish a proper model of organisation structure to represent and support the cooperative economy from the centre to localities which ensures systematic character of this organisation in order to work effectively; to perform perfectly its role of becoming the link between the State and cooperative sector in relationship with international organisations; and to contribute to speed up the development of cooperative economic units and expand their activities.
- * To bring cooperatives out of stagnation, confusion of organisations, mode of activity and management system, which will stabilise and develop cooperative models in all fields and vocations gradually and solidly in the areas requiring "cooperation" so that it will make cooperative economy more important in the political, economic and social life of the country; to organise and build ideal advanced cooperative models and some leading models in some fields, locations and areas to become strong enough to compete internally and externally.

- * To set up macro management policies that should be integrated which are appropriate and efficient for cooperative sector which will ensure the economic and social efficiency of activities of cooperatives and to conduct the uniform management in every field of cooperative sector.
- * To create stable markets internally and externally and to find out capital sources for investment and development, to train professional and skilled managers, businessmen to adapt themselves to market structure and also to train skilled workers and artisans in traditional vocational villages.

III. Solutions and Policies

In order to realise strategic objectives for the development, the following solutions and policies should be carried out :

- * Rapidly modifying, supplementing and continuously perfecting state policies on macro management, issuing legal documents regarding the cooperative sector in the direction of : defining clearly collective property and private property in cooperative; policies relating to land, housing, taxation, credit, investment, import-export, etc. in order to facilitate business and production of cooperation; make cooperatives to take initiatives in their activities and equal before laws with other economic enterprises.
- * Reorganisation of organisation and management structure in order to make cooperative a voluntary, democratic, self-controlled organisation where employees and cooperative members jointly utilise their power, their capital and arrange their business production activities for their real demands and interests. Management structure must help cooperative member to conduct his (or her) ownership role in the cooperative.
- * Reorganising state management on cooperative sector, ensuring the uniform management of the state on cooperatives in all fields : orienting and planning development strategies for each period; considering cooperative sector as an organisation for implementing policies, projects, economic-social programmes of the Government; issuing law on cooperatives and other legal documents; observing, monitoring and examining the implementation of law on cooperatives conducting cooperative registration, as well as executing regulations on accounting, auditing and reporting; setting up an agency belonging

to the Government to conduct this task.

- * We should have training policy to serve the cause of building and developing cooperative sector with appropriate content, programmes and forms. There is an urgent task for training, retraining, fostering, and discovering talented man in management and business. People of this team know how to organise and motivate the masses. They have certain knowledge on cooperative economy, business in the market structure, domestic and foreign markets, legal field and economic policies, etc.
- * Investing in science and information is an important factor to realise set-out strategies. Knowledge on information and management should be improved. Advanced technology should be applied to management and production fields. We should make efforts to absorb and apply social economic and modern informatic achievements to cooperative economic sector and to study solutions on organisation and management of business and production activities of cooperative economy in line with the situation of Vietnam.
- * Enlarging external relations - especially economic external relations - in order to make good use of the assistance of member countries of the ICA by learning experiences, training staff, exchanging information, investment cooperation, and exchanging goods. Accordingly, in order to implement proper market policy in the direction of concentrating on the exploitation of domestic market, immediate rural markets, we need to actively search for external markets, create strategic and stable markets for export goods produced by cooperative economy and import material, advanced equipment and technology in conformity with the organisational objectives and production scale of cooperative economy units.
- * Organising propagation activities to make everybody - especially farmers, art workers and labourers - understand significance, real interests and cooperative rules on organisation and activity. From this end we can attract mass of employees to take part actively in the movement of building and developing a cooperative economy. To organise the introduction through popular information system, periodical publications on the history of the international cooperative movement, experiences of other countries in organising and working of the cooperative sector - especially the countries in the Asia-Pacific region - regulations of the Central Council of Cooperative Union of Vietnam Law on Cooperative need to be published.

Policies of the Vietnamese State for Supporting the Cooperative Development

Like most of other nations in the world, State of Vietnam always pays its attention to the promotion and development of cooperative economic types and considers it as one of the most important instruments to achieve the economic development, to ensure social equality, to reduce gradually the imbalance between the urban and rural.

Starting from characteristics of the economy that slowly developed, advancing from small-scale production with mainly based on manual production means during previous years of the centrally state-subsidised economy, the State has had many policies for supporting cooperatives and considered cooperative movement as an organic part of the line for building and developing the country. This has been reflected in respect of :

- * Organising, motivating, enabling labourers, small traders, people having property and capital - to jointly contribute their capital and power to establish self-help groups and cooperatives.
- * Transferring, granting or low-cost leasing, selling building, land, equipment, raw materials - to all types of cooperatives in the cooperative sector.
- * Giving loans with low interest rate, reducing, exempting taxation to self-help groups and cooperatives.
- * Ensuring jobs for cooperative members and workers in cooperatives through such policies as processing, ordering, selling raw materials, purchasing finished products, supplying materials, goods, subsidising, loss compensating, etc.
- * Regarding social policies: The State conducted policies of distributing food, food stuff with very low prices to workers working in cooperatives. Also insurance, health-care policies have been supported, guided and organised to be implemented by the State.

by Mr. Nguyen Van Yen, High Ranking Officer of Vietnam Government.

These guidelines and policies have effected directly the establishment and development of different cooperative types and movement in general. There were hundreds of thousands cooperatives formed in various fields, economic and technical industries, from agriculture to handicraft, trading - servicing, construction, transportation, credits, etc. During that period, cooperatives had a very important contribution to the process of developing national economy, selling jobs for workers.

Since the end of 80s, because of the introduction of the DOI MOI policy, the State of Vietnam has had the guidelines for transformation to develop a multi-sector economy, operating in line with the market structure with the State management and socialist orientation. Therefore the above said state supported policies of the centrally operated state subsidised structure were no longer adapted. For this reason, a part of cooperatives that could not keep pace with the development met tremendous difficulties.

Adopting laws of economic development and continuing to enable cooperative development in right directions, the State of Vietnam has been in time to change its policy structure introducing new laws and regulations in conformity with market structure. Previously subsidised policies were replaced by policies that create favourable legal environment, equality among economic elements in order to exploit available potentialities to promote the continuous reformation and development of different cooperative types. Relating to new policies are the Decision 28/HDBT on the collective economy, the Decision 29/HDBT in household economy and the Decision 146/HDBT for amending and supplementing the two decisions (1988) stated above. In 1989, the State introduced the Decisions 194 and 49 on cooperative types belonging to trading, construction, industry and transportation fields. Since 1990 upto now, a lot of regulations, laws, decisions, relating to cooperative sector have been continuously introduced, such as: the Constitution, Land Law, Law on foreign investment in Vietnam, Labour Law, and Law on encouraging domestic investment, etc. Recently the Government has had important decisions for supporting cooperatives as the Decision 582/TTg dated 1st December 1993, the Instruction 84/TTG dated 3rd March 1994, and the Decision 763/TTg dated 19th December 1994.

Basically, these policies have been reflecting clearly the views of the State on cooperative maintenance and development. Some critical contents can be generalised as following :

- * Cooperative economy continues to be strengthened and developed

along with state economy and it gradually becomes the foundation of national economy (article 15 and 20 of the Constitution). The State has abolished its fixed ideas, discrimination, inequality between economic components, thus creating favourable and open legal environment for all businesses that have full conditions for their development in which cooperative groups, cooperatives, cooperative unions become economic organisations with their full legal personalities and also in an equal position with other economic components (article 1, Decision 763/TTg).

- * Regarding tax and credit policies: Previously there was a discrimination between economic sectors, but at present these policies basically have been applied uniformly to all business types. Cooperatives will be considered for tax reduction or exemption if they meet difficulties during their transformation. Regarding credit affairs, cooperatives are allowed to obtain short-term, medium-term and long-term credit from commercial banks with the same borrowing and paying terms as for state business (Article 2, Decision 763/TTg). Newly established cooperatives are allowed to enjoy priorities according to the law on encouraging domestic investment (land can be given to them or they can lease land; they are allowed to borrow capital from the supporting investment funds for their medium-term and long-term investment; guarantee to have investment credits from banks, credit organisations and financial companies; in some cases, these cooperatives can enjoy such tax preferences as tax reduction on sales turnover, income tax reduction of 50% from one to two years apart from existing regulations as import tax exemption on equipment and machineries that directly invested or consigned imports for building production bases).

The Government is considering the subject of allowing cooperatives that are in their transformation and reorganisation also to have the same priorities as newly established cooperatives.

- * Regarding export-import policies: Previously, only some state businesses were allowed to import and export directly. But at present, all businesses (including cooperatives) that have fully regulated conditions are allowed to conduct direct export-import relations. Particularly, cooperatives have more preferences in their necessary capital for their export-import activities for which only US\$ 100,000 is needed (other businesses must have an equivalence of US\$ 200,000).

- * Law on foreign investment in Vietnam also has been adjusted and supplemented. According to this law, cooperatives that have fully regulated conditions can be a partner in joint ventures with foreign economic organisations.
- * Regarding materials, equipment, and goods : Previously they were mainly managed by the State, but now they are freely circulated according to regulations. Cooperatives are allowed to contact directly with markets for marketing their products and selecting the most efficient business projects.
- * Workers of all business units of economic sectors have been becoming main objects to be served by social, insurance and health-care policies; the discrimination has been gradually abolished; members and workers in cooperatives are object to the application of labour law; cooperatives buy compelled insurance for them and if they are qualified enough, they will enjoy all the benefits for their retirement, exhaustion, illness, pregnancy, etc. (interministerial circular No.21 dated 18th June 1994); they are also allowed to participate unions as trade union, youth union, women union and other associations.
- * Cooperatives are also considered as objects to receive and implement projects of the State for the social-economic development, projects of receiving aid from foreign countries, international organisations related to the cooperative economic sector as : credit, technology, import-export, training, information for market access and other development projects.
- * Management mechanism of the State and agencies representing and supporting cooperatives has also been more comprehensive :
 - Ministries and related industries are responsible for planning, orienting different types of cooperatives which are to be organised, rearranged and established.
 - The State allows the establishment of an agency for supporting and representing cooperatives. This is a social-economic organisation operating in line with the regulation approved by the Prime Minister by Decision 582/TTG dated 1st December 1993.

The above mentioned policies and laws have an effect on promoting and creating a favourable legal environment for the cooperative transformation and development. Cooperatives could become a truly economic organisation with their complete sovereignty, operating and managing according to principles of managing themselves, cooperating and conducting voluntary joint-ventures. Gradually, cooperative sector has been turning back to its real principles. The State has a line of developing widely and diversifying cooperative types of all fields with various scales and collectivised levels (Reflected through the report of the representative of the Central Council of Cooperative Union of Vietnam).

In the years to come, while stepping into the period of the industrialisation and modernisation, implementing the target "Rich nation, powerful country, equal and civilised society", along with the establishment of large-scale businesses, the State of Vietnam continues to create the most favourable conditions for supporting the transformation and development of cooperatives, and to turn these policies into a role of "the midwife" for the cooperative economic sector. In the near future, the cooperative law should be passed early by the National Assembly. Up to now, with the help of the ICA and foreign cooperative organisations, the Board compiling the Vietnam Cooperative Law led by the State Planning Committee has comprehended the 10th draft, in coming period it will be approved by the Government as scheduled and will be introduced to the National Assembly Session in October. According to the draft law, we can generalise following views of State policies of Vietnam on cooperatives :

1. Cooperatives have been diversified with various types belonging to various economic sectors, therefore, cooperative law will be a legal framework in general and a model for all types of cooperatives. For each type, the government will issue specific regulations and instructions.
2. Cooperatives organised exactly in conformity with principles of ICA. This is an economic model of the people, capital and manpower contributed by everyone for their operation on the basis of voluntariness, self-management, equality in order to support each other, to improve social-economic conditions of each other to reach equality and democracy in the society.
3. Cooperative should be firstly an equal economic organisation in all respects to other types of business; however, this kind of economic

organisation has social characteristics because of its institutional and operating nature. Cooperatives should not be considered a social-economic organisation within the limited content as perceived by some people.

Cooperative law will be the legal foundation to determine the existing and development of this economic type.

4. The work of managing labour (labour, capital, property, operating structure) in a cooperative should be really democratic and equal; all important issues will be discussed and determined by meetings of cooperative members, to put an end to the situation of "collectively owned father" and "collectivising property in a mere formality" as previously. For its own part, cooperative will have a structure of monitoring and seriously supervising the Managing Board.
5. The State will pay its concern to cooperative sector in all fields.

In the annual and long-term plans, the government has and will reserve a certain portion of its state budget for supporting cooperative development projects in relation to capital, technology, training, marketing, labour absorption, job settlement, etc.

With the economic-social characteristics of Vietnam at present and in the future, we believe that objectives and supporting means of the State of Vietnam for the cooperative economy will create very favourable conditions for cooperatives to intensify, develop and to become shoulder to shoulder with cooperatives of other countries being members of ICA. The State of Vietnam also understands and perceives deeply that the State-Cooperative relationship is a two-way relationship, a target through which the government speeds up the economic development and at the same time, the efficiency of the cooperative development is not only an economic one but also has a general efficiency bearing economic-political-social meanings.

Cooperatives in Vietnam : Tentative Findings and Recommendations

1. Introduction

The present report has been prepared by the ILO/EASMAT Specialist on Cooperatives based on his studies of various literature and reports on Vietnamese cooperatives and based on the information and impressions obtained during a two week mission to Vietnam in May 1994.

The report provides a tentative assessment of the cooperative sector in Vietnam as it relates to the internationally recognized Cooperative Principles and ILO's Recommendation No.127 on Cooperatives. Based on this assessment, the report offers recommendations as to the objectives to be pursued in the future by the Vietnamese government and cooperative movement.

It should be understood that the reading of reports and literature, together with discussions during a one week visit to Vietnam, can not give a full insight into the Vietnamese cooperative sector. Only a few cooperatives were visited and no thorough studies of their organization and place in the cooperative structure were made. The findings and recommendations contained in the present report therefore concentrate on the larger issues and particularly on the issues that are relevant to creating the basis for a fresh start of the cooperative movement in Vietnam.

2. Summary of History and Present Situation

The recent history and the present situation of cooperatives in Vietnam is described in detail in the "Country Report on the Recent Changes, Trends and Developments in the Cooperative Movement in Vietnam" submitted in

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the ICA conference in Jakarta in 1992; in "Cooperatives in Vietnam - Report of the ICA Study Mission" published in 1993; in the paper "Current Situation on the Development of Cooperatives and Small and Medium Enterprises in Vietnam and their Role in the Country's Economy in Transition" delivered at the Inter-Regional Workshop on Development of Small and Medium Enterprises in Developing Countries in Transition" in Hanoi in 1994; and in the "Report by the Central Council of Cooperative and Small and Medium Enterprises of Vietnam" delivered in the ICA Regional Consultation in Kuala Lumpur in 1994.

As the above reports and papers would be known to most of those concerned with the future of cooperatives in Vietnam, only a short summary of the cooperative situation will be given. This summary is based on the above and other publications and on the impressions and information gained during the short visit to Vietnam.

Starting around 1955 the development of cooperatives was strongly supported by the state and consequently cooperatives were established in practically all sectors of the Vietnamese economy, including agricultural production, small and medium scale industry, handicraft production, transport and communication and supply and marketing. Cooperatives were quickly set up in nearly all provinces and cities in northern Vietnam and, with reunification in 1975, the development of cooperatives in the southern part of the country rapidly followed by copying the successes of the north. In 1985/86 the national network of cooperatives included some 30,000 agricultural farm collectives, industrial enterprises and handicraft production undertakings, some 10,000 supply and marketing cooperatives, 2000 transport and communication cooperatives and about 500 construction groups or other cooperative set-ups providing for productive employment of labour. Cooperatives were a major factor in the economic and social development of the country and played a pivotal role in utilizing local resources, employing local people and making products for domestic consumption as well as for export. During the height of their influence, cooperatives produced 30% of the national industrial output value and 50% of the indigenous output value and provided jobs and livelihoods for 1.2 million people.

The success of the cooperative sector was largely attributed to its close links to the state and to the support given in the form of preferential access to raw materials, guaranteed (state) market for production output, preferential access to export markets, investment assistance, assistance to cover operational losses and assistance in management and operations. This extensive

support and assistance helped to increase the influence and market share of the cooperative sector, but at the same time it spoiled its chances of becoming an independent and self-reliant socio-economic movement. Its dependency on the state was nearly total and in reality, the state, not the members, controlled the cooperative sector. Indeed, considering the internationally recognized Cooperative Principles and ILO's Recommendation No. 127, no true cooperatives existed in Vietnam.

The effect of this dependency became apparent in 1988, when the new market oriented economic policies were introduced. In the absence of plans for transitional arrangements, the vulnerability of the state-dependent cooperatives showed up across the board: Poor quality products, earlier requisitioned by the state, could not compete in the free market; no experience in accessing other markets; production plants old-fashioned and inefficient; capital for investment in new machinery not available; technologies outdated; variety of articles insufficient; designs and patterns not what the market wanted; and management bureaucratic and sometimes non-existing due to cessation of state directives. The dynamism of the cooperative sector had disappeared together with the support of the state.

During the period 1988-1992, the cooperative sector therefore faced enormous difficulties and most of the cooperatives were closed, converted into private companies or taken over by individuals. In 1993 agricultural, industrial and handicraft production cooperatives had been reduced to 4000, the number of transport cooperatives had fallen to 900 and only about 2000 supply and marketing cooperatives continued to exist. Of the cooperatives operating in 1993, it was further reported that less than half had succeeded in adapting themselves to the new economic climate and thus were operating effectively and profitably. Naturally this upheaval in the cooperative movement contributed considerably to the falling production, to the disruptions to marketing and supply channels and to the problem of unemployment that have been experienced in Vietnam as an initial result of the economic reforms.

Government as well as cooperative movement officials realize that the demise of the cooperative sector as one of the strongest factors in the economic and social development of the country has been caused by a disregard of the principles which make cooperatives unique and successful and, in this connection, by a far too heavy influence of the state.

Since 1988 a number of efforts have been made to facilitate the development

of free market cooperatives and other business enterprises, but so far no policies or laws have been introduced to establish the legal identity of cooperatives and subsequently to set out a course for their development. Thus, while some cooperatives may have taken advantage of the new economic climate, the basis for a healthy cooperative movement is still not in place.

3. Observations and Comments

ILO's "Recommendation Concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries" (No. 127) was adopted in 1966 and reflects the official opinion of the ILO with its tripartite membership from about 170 countries. It is therefore considered relevant and proper to use this recommendation as a basis for the following comments on what has been learned and observed in respect of the cooperative movement in Vietnam.

A set of principles was developed in 1844 by the members of the first cooperative (Rochdale, England) and have since then been accepted as the yardstick for how a cooperative should operate. The Rochdale principles were scrutinized and slightly modified by the International Cooperative Alliance (ICA) in 1966 and are now internationally accepted. These cooperative principles have also been considered in the comments below.

3.1 Cooperative Policy

Recommendation No 127 is directed at cooperatives being regarded as one of the important instruments for economic, social and cultural development as well as human advancement. Consequently it urges governments to adopt a policy on cooperatives, specifies objectives and important components of such policy and suggests that the cooperative movement should be associated with its formulation. It also advocates that cooperative policies are reflected in national development plans.

In Vietnam, policies towards cooperatives (however not cooperatives as defined by the cooperative principles) have been favourable for many years and have been manifested in considerable government assistance of financial as well as administrative character. Plans and targets of cooperatives have consistently been incorporated in national development plans and thus,

until 1988, the growth and importance of the cooperative sector had been substantial. With the introduction of a market oriented economic system, the support to the cooperative sector was withdrawn and cooperatives were left to operate as independent business organisations. This is illustrated in many new policies aimed at promoting the private sector and creating a climate that is conducive to fair competition between different types of economic enterprises. While new policies generally have resulted in cooperatives losing their preferential status, and subsequently in the drastic reduction in their number and business volume, the same policies have also resulted in cooperatives now being in somewhat greater conformity with the internationally accepted concept of what a cooperative should be - namely a self-help rather than a government-helped organization.

While this may be positive, it should be noted that the above concept of a cooperative is not defined in Vietnam and that, consequently, there is no specific policy on cooperatives and on their role as instruments for human advancement and economic, social and cultural development (Rec.127). Usually cooperatives are mentioned together with other collective-ownership type of enterprises and since 1988 they have been lumped together with other small and medium sized enterprises.

The absence of a definition of a cooperative and the absence of a specific policy for their role in development prevent them from being appreciated by the public for what they actually should be, namely democratically controlled business organizations that are operated for the benefit of their members in accordance with principles that guarantee a fair distribution of risks and benefits. Indeed, many Vietnamese cooperatives do still not have these characteristics and while some of them may operate efficiently and may provide considerable advantages, the members do therefore not necessarily perceive them as member-owned and member-controlled business enterprises. Thus the incentives associated with such feeling of ownership and control would be lacking in Vietnam and consequently the potential of cooperatives would not be fully exploited.

Apart from cooperatives not being defined and perceived on the basis of the internationally accepted Cooperative Principles, observations also indicate that their practices in certain cases may be in contradiction to those principles. On the principle of democratic control, there may still be cases where members are not fully involved in village-level elections to the boards and management. On the principle of surplus distribution it was found that the basis for such distribution is the number of shares held rather than the

amount of business done or work performed with the cooperative. And on the principle of limited interest on share capital, examples were found of such interest (dividend) being considerably higher than that of commercial banks. The combination of the last two inconsistencies with cooperative principles clearly results in investors, rather than users of the cooperatives, reaping the economic benefits.

3.2 Cooperative Legislation

Recommendation 127 advocates that specific laws and regulations concerning the establishment and functioning of cooperatives are adopted and used as a method of implementing the cooperative policy.

Vietnam does not have laws or regulations specifically concerned with cooperatives and thus there is no legal definition of a cooperative and no description of their objectives, the procedures for their establishment, the amendment of their statutes, their dissolution, the conditions of membership, the methods of administration, etc. as advocated in recommendation 127.

Instead cooperatives are operated in accordance with the rules and regulations drawn up by the relevant government agencies and are largely subject to the laws and regulations governing other types of economic enterprises.

The absence of a legal definition of a cooperative and of a law covering all types of such cooperatives makes it difficult to know what a cooperative is and therefore to differentiate between various types of collective ownership enterprises. Thus it is also difficult for the public and the members to know exactly how they are or could be involved. The absence of a specific law on cooperatives would also make it difficult for the government to promote the development of cooperatives (as defined by the ILO and the ICA) and to ensure that they operate as intended.

3.3 Cooperative Education and Training

Recommendation 127 advocates that knowledge of the principles, methods, possibilities and limitations of cooperatives is disseminated widely among the public, that office bearers and staff of cooperatives are trained and that, if necessary, specialized cooperative colleges are established.

Training of cooperative office bearers and staff is partly pursued through training centres and/or programmes of provincial and city councils of cooperatives (the base organizations of the VICOOPSME) and partly through the National Training Centre (NTC) operated under the VICOOPSME. Lack of resources and lack of a training policy specifically for cooperatives, are among the factors that have prevented a more comprehensive and systematic training programme for cooperative personnel (3,500 people were trained during 1993). The coordination of cooperative and SME training and education rests with VICOOPSME and more particularly with the Non-State Economic Development Centre (NEDCEN) which is one of the specialized bodies of VICOOPSME. NEDCEN priorities in respect of training are 1) managers of cooperatives/SMEs, 2) members of central and provincial councils and 3) officials of district and provincial cooperatives/SMEs. These target groups are offered various courses of different length (typically two weeks) depending on the subject.

Discussions with cooperative officials at central council level as well as on the level of primary cooperatives revealed a great and general awareness of the new economic climate and of its influence on competition. All agree that well qualified managers and staff is a necessity in order to improve the competitiveness of the cooperatives and thus increase the benefits that can be offered to members. And in this connection all officials are also conscious of the need for training and, in particular, for more job-oriented training and more participative training methods.

In respect of member education, the situation is not encouraging in that no specific programmes or mechanisms were found to ensure that "knowledge of the principles, methods, possibilities and limitations of cooperatives is disseminated widely among the public" (rec.127). Members, through their cooperatives, may be educated and trained in respect of their work and economic activities, but not on the characteristics of a cooperative and in this connection on their own role in determining the course of such cooperative. Consequently, and as also indicated earlier, the members of cooperatives are unaware of the full potential of their organizations, are likely to think of cooperatives as government businesses and are thus lacking a main incentive for contributing fully to the activities of such cooperatives.

In the absence of a clear cooperative policy and appropriate cooperative legislation (see earlier) it is however difficult to design a meaningful education programme for members and for the public - as the content would not be known to the programme designers. Likewise, lacking an independent

cooperative identity and structure, it would be difficult to establish the necessary mechanisms for implementing such programme.

3.4 Financial and Administrative Aid

Recommendation 127 advocates that financial and, in certain cases, administrative aid is given to cooperatives, that such aid does not entail obligations contrary to their independence and that it is designed to encourage rather than replace the initiative and efforts of members.

The degree of state financial and administrative assistance to cooperatives in Vietnam has not been ascertained or quantified, but obviously such assistance, until 1988, was considerable and formed part of Vietnam's very positive policy towards people-owned enterprises, including cooperatives. This earlier assistance has contributed to benefits to cooperative members and has helped to the growth of the cooperative sector and to its having played a major role in Vietnam's economic and social development.

In respect of financial aid infringing on the independence of cooperatives (Rec. 127), it is obvious that such infringement was a bi-product of the aid earlier given as it made it possible for cooperatives to be established, expanded and to an extent managed on the direct initiative and with the firm guidance of the state. While this resulted in an apparently strong cooperative sector, the strength was artificial and temporary, the heavy government influence instead having created an almost total dependence on the state. A dependence that resulted in the disarray of the cooperative sector when state support was withdrawn.

While financial support to cooperatives has now been drastically reduced, close relationships and inter-linkages between the state and the cooperatives are still apparent. It makes it somewhat difficult for an outsider to differentiate between the assets and liabilities and the income and expenses of the state vis-a-vis those of the cooperatives. It is likely that the public and the members of cooperatives would have the same difficulty and that cooperatives therefore still are perceived as something created by the state and therefore also being the responsibility of the state. If this is the case and if such perception is allowed to persist, the future aid and assistance given to cooperatives is likely to replace rather than encourage the initiative and efforts of members.

3.5 Supervision, Advice and Guidance

Recommendation 127 advocates that cooperatives should be subject to audit and supervision in order to ensure good management and compliance with the cooperative law and their own objectives. A federation of cooperatives is recommended to perform these functions as well as to promote cooperatives through the provision of training, education, guidance and advice.

Vietnamese primary cooperatives, and more specifically the Supply and Marketing Cooperatives (SMCs), are federated into unions at district level and these are in turn federated into provincial or city unions. The unions are associated to the Central Cooperative Council of Cooperative Unions and Small and Medium Enterprises of Vietnam (VICOOPSME), which recently was formed to represent and support the development of the cooperative and SME sector.

Working as a specialised body under VICOOPSME, the Non-State Economic Development Centre (NEDCEN) serves the same clientele, its main emphasis being on training. The International Cooperation Promoting Centre (ICPC) is also affiliated to VICOOPSME and is in particular concerned with promotion and assistance in respect of export marketing, joint venture investments and other contacts with foreign countries.

On the surface this structure should be well able to provide all the necessary services to primary cooperatives (audit, supervision, training, education, guidance, etc. (rec. 127)) and indeed it does provide a degree of guidance and supervision as well as training through its programmes conducted at national, provincial, city and district levels. As yet the services however do not include accounts advice and audit and also the degree of business guidance and advice is rather limited. As primary cooperatives would need to operate very efficiently in order to compete in the market oriented economy, the present service and back-up system may therefore be insufficient.

Apart from the above mentioned services, the federated structure of Supply and Marketing Cooperatives also provide a business network whereby trade is conducted between SMC unions and primary cooperatives.

While a structure thus is in place and while some of the necessary services actually are provided through this structure, the flaws of the set-up could

prove serious obstacles to sustainable development of the cooperative movement. Firstly it is understood that most SMC district unions have been amalgamated with provincial unions, have been transferred to other parties or have in other ways ceased to exist. Secondly, it is understood that primary SMCs are not generally members of the provincial unions and that provincial assemblies are not normally summoned. Thirdly, it is understood that district unions, provincial unions and primary cooperatives largely operate independently, the unions having their own business interests and often being in direct competition with the primaries. Fourthly, and as indicated earlier in this report, it appears that the state still has a large stake in the SMC set-up and that the management, particularly of the provincial and city unions and of the national council, still is heavily influenced by the state. Fifthly and lastly, it appears strange, in a market economy, that VICOOPSME refers to cooperatives as its member organizations while at the same time also representing and supporting the development of private enterprises - its competitors.

As for state monitoring and support of the cooperative sector, most countries have a separate ministry, department or agency to administer the cooperative law and to provide whichever promotional and supporting services that are offered by the government of the concerned country. In a few countries the same agency provides support to cooperative as well as to private enterprise development. In Vietnam no government ministry, department or agency is entrusted with cooperative development - unless VICOOPSME is considered a government agency.

As a conclusion, it may be stated that the structure of the cooperative movement is incomplete and not functioning effectively, that confusion exists at the top where VICOOPSME seems to play the role of a cooperative movement apex body as well as that of a government agency to support cooperative (and SME) development and that, therefore, cooperatives do not receive the support and guidance necessary for developing a self-sustainable cooperative movement.

3.6 Cooperatives and Particular Problems

Recommendation 127 advocates that cooperatives in certain circumstances may play a special role in dealing with particular problems of developing countries. Suggestions are given, illustrating the role of cooperatives in connection with agrarian reforms.

It has already been mentioned that Vietnam has a history of cooperatives being used as instruments of development and that they have played a most important role in exploiting the agricultural and industrial potential of the country.

The introduction of the new market oriented policies have created a completely new environment and it has already been established that the importance of cooperatives, with their heavy state dependency, has been much reduced. Having seen the effect of the new policies and having experienced the initial heavy blows caused by these policies, it may be feasible to take stock so as to determine in which areas cooperatives would have the best chances of success, in which areas they would be of the greatest benefits to their members and in which areas they would contribute most to the economic development of Vietnam.

Agricultural cooperatives exist or existed in a number of forms, their activities including actual production (collective farming) as well as marketing of agricultural produce, procurement of agricultural inputs, provision of credit and savings facilities to members, provision of agricultural machinery (tractors, water pumps, etc.) and operation of various agro-industries. Many of these cooperatives also provided a number of community services, the more important ones being health care and education. Agricultural cooperatives used to produce the major part of the agricultural output of Vietnam, but with the land now being allocated to individual farm households, the role of this type of cooperative has been much reduced. They now play a role in land distribution among their members and a decreasing role in providing machinery and in the marketing and supply of produce and inputs. With less resources, the community services are increasingly difficult to maintain. Agricultural cooperatives have no supporting structure in the form of district, provincial or national unions, their administration seemingly being taken care of by the Ministry of Agriculture.

With the continuing privatization of land, with the state being a more logical administrator of the allocation of such land and with the state also, in time to come, being likely to take over the provision of community services, the most obvious activities that profitably can be provided by agricultural cooperative are grouped around the marketing of farmers produce, the supply of agricultural inputs, such as seeds and fertiliser and the provision of a pool of farm equipment. The same services can however also be provided by the SMCs (see below) and it is likely that mergers between these two types of cooperatives will prove feasible in a number of cases.

The survival of existing or the formation of new cooperative farms (collective farming) may be feasible in cases where this approach would create more income to the participating member household than would individual farming. With individuals now having been allocated their own land and with a not entirely successful history of collective farming, it is however unlikely that cooperative farms will be popular for some time to come.

Supply and Marketing Cooperatives (SMCs) were set up for the supply of agricultural inputs and consumer goods and for the processing and marketing of agricultural produce. They were started around 1955 and were to a great extent supplementing or forming part of the state's set-up for internal trade and distribution. The close linkage to the state explains the drastic fall in retail market share (12,6% in 1987 to 1,8% by 1991) as well as the fact that also the processing and industrial production of SMCs have dropped considerably since the introduction of a market economy. During more recent years some of the remaining SMCs, and mainly those in the cities, have identified new business avenues and have involved themselves also in import and export activities.

Having recovered from the set-backs suffered due to their involvement with the state distribution system, the SMC type of cooperative should have a good possibility to again prosper and to provide the much needed trading links between agricultural producers and domestic as well as international markets. Existing, revived and new primary SMCs (which also may be classified as a Multipurpose Cooperatives) are envisaged to have their membership in towns and rural areas, where their main activities would include the supply of farm inputs, production credits and consumer goods together with the marketing of farmers' produce and the possible hiring out of farm machinery or similar services earlier provided by the agricultural cooperatives (see above). Also the new SMCs would facilitate members' savings schemes.

Processing may also in some cases continue be undertaken by primary SMCs, while in other cases it may be concentrated at district or provincial level cooperative unions. Such unions are also seen to play an increasing role as channels for the provision of agricultural inputs and consumer goods to primary cooperatives as well as channels for the marketing of produce delivered by such cooperatives.

Consumer cooperatives are not operating in Vietnam as independent enterprises, the distribution of consumer goods instead being included in

the activities of SMCs and some other cooperatives. However, with possible shortages of consumer goods, with the state distribution system being dismantled and with the establishment of private businesses, the coming years could see this type of cooperative being chosen as a vehicle for helping to control prices and quality of consumer goods. Community based consumer cooperatives could be envisaged in cities and in other areas where SMCs do not operate.

Industrial production cooperatives (or Worker Cooperatives) are production or service enterprises which are owned and controlled by the people who work in them. In Vietnam they did not quite live up to this definition, but they flourished when they were given preference in respect of raw materials, when a market for their production was guaranteed and when the state was involved in their management and control. This situation is now changing and industrial cooperatives face a number of difficulties arising from competition and the protected position they earlier enjoyed. Many have folded up, have been taken over by private individuals or companies or are operating at a loss.

However, the successes of worker cooperatives in a number of other countries indicate that cooperatives of this type can operate efficiently and profitably, can make a substantial contribution to employment creation and can be competitive in a market economy. In Vietnam, the survival of existing industrial cooperatives and the formation of new ones could therefore be expected in cases where this approach would help to maintain or create jobs that would not otherwise be available and in cases where the cooperative approach would create more income to participating members than would individual enterprise or the employment by private or government owned enterprises. With individuals now having the opportunity to become entrepreneurs and enterprise owners, it is however possible that the interest in industrial or worker cooperatives would be somewhat limited for a time.

4. Recommendations

The recommendations given below are mainly intended to help implementing ILO's Recommendation 127 and thus contribute towards Vietnamese cooperatives operating in accordance with the cooperative principles and to the optimum benefit of their members.

4.1 Cooperative Policy

In order to define the concept and identity of cooperatives and in order to clarify and further plan their role in the economic, social, cultural and human development of the country, the following is recommended:

- * A government policy under which cooperatives receive aid and encouragement of an economical, financial, technical, legislative or other character, without effect on their independence, should be formulated. The policy should be prepared in consultation with the cooperative movement (not only through representatives at central level, but also through a dialogue with members and would-be members at grassroots level) and should recognize the internationally accepted Cooperative Principles and should include the provisions advocated in ILO's Recommendation 127.
- * A long-term cooperative development plan that translates the cooperative policy into time bound activities aimed at implementing the policy, should be prepared by the cooperative movement (see above) in close consultation with the government and should be implemented.

4.2 Legislation

No cooperative law is in existence in Vietnam, the operations of cooperatives instead being guided by the regulations of the various coordinating ministries. A draft for a new cooperative law, intended for all types of cooperatives, has however been prepared, but has not as yet been presented to the legislative body. Meanwhile ILO's Recommendation 127 advocates that specific legislation for cooperatives be used as one of the methods of implementing the cooperative policy. In respect of cooperative legislation the following is therefore recommended:

- * A specific law on cooperatives, based on the Cooperative Principles and consistent with ILO's Recommendation 127 and the government's policy on cooperatives, should be formulated and promulgated. In respect of interest rates and capital accumulation, care should be taken to devise a formula that is in accord with cooperative principles while allowing attraction of the necessary capital for operations and investments. The formulation of the cooperative legislation should be done on the basis of an initial draft which has been discussed extensively

among cooperative leaders and government officials, has been compared to cooperative laws in other countries, has been commented on by the ICA and/or the ILO and has been moulded and perfected during this process.

- * The government's policy on cooperatives as well as the new cooperative legislation should be widely publicized among members and the public and steps should be taken to adjust the practices of cooperatives so as to be in conformity with the new policies and laws. In particular, the practices related to the cooperative principles of democratic control, surplus distribution based on patronage and limited interest on share capital, should be addressed.

4.3 Training

While training is presently provided through the National Training Centre and through programmes at provincial and district level, the changed economic situation calls for a reassessment of training needs and the strengthening and perhaps refocusing of programmes for cooperative training. In particular the suitability of such programmes and the capability of training institutions in respect of issues related to the role and operations of cooperatives in a market oriented economy would need to be looked into. The following is therefore recommended:

- * Present and future training needs should be identified and continuously updated based on studies of the operations of existing (and future) cooperatives and based on manpower information, job descriptions and observed management and skills deficiencies. Curricula, training materials and methods should be developed or modified to respond to such needs.
- * A coordinated training structure providing for optimum utilization of NTC and provincial and district training facilities and for selective recruitment and training of trainers should be developed.
- * A plan for meeting the needs in respect of pre-service training as well as accelerated training and upgrading of existing personnel should be developed and implemented.

4.4 Cooperative education

Due to the absence of a definition of a cooperative (based on cooperative

principles and ILO's recommendation 127), the absence of a government policy on cooperatives and the absence of specific cooperative legislation, it has not been possible to follow Recommendation 127, where it proposes that "knowledge of the principles, methods, possibilities and limitations of cooperatives is disseminated widely among the public". Greater knowledge about cooperatives and about the role and rights of their members is necessary, not only because of the cooperative principles, but also because it will give members a better incentive and thus is likely to result in increased participation and better business performance of the cooperatives. The following is therefore recommended:

- * The need for cooperative information and education should be identified (based on the recommended new policies and legislation on cooperatives) and programmes and materials to respond to such needs should be prepared for different target groups including the public, members of cooperatives, elected representatives and managers and employed personnel. Education methods should be developed and media selected.
- * A structure for the provision of cooperative information and education should be developed, providing for optimum use of NTC and provincial and district training facilities for training of educators as well as for conducting education programmes for selected target groups.
- * A plan for the training of educators should be integrated in the plans of NTC and provincial and district training centres and a plan for meeting the needs in respect of cooperative information and education should be developed and implemented.

4.5 Cooperative Advisory Services

While intensive training is a necessity for meeting the challenges of the new market economy and while such training eventually will provide capable and skilled personnel, its effect on the efficiency and competitiveness of cooperatives will be of a long-term nature. In addition to training and in order to make immediate improvements and develop a competitive edge, a mechanism would therefore be needed to provide cooperatives with access to direct and society-specific assistance and advice. This is also advocated in recommendation 127 which proposes such guidance to be provided through a federation of cooperatives. The following is recommended in this respect:

- * An assessment should be made of the problems and potentials of primary and secondary cooperatives and of the degree to which they may be solved/exploited with the help of groups of consultants attached to cooperative advisory services units at provincial and/or district level. An inventory should be made of the most important needs, problems and potentials and approaches should be developed for dealing with them. Skills profiles of consultants should be prepared and curricula and materials for training such consultants should be developed.
- * A structure and a mechanism for providing the cooperative advisory services should be developed, this possibly including one or more relevant agencies (VICOOPSME, NEDCEM, ICPC, NTC or other) on the national level as well as the relevant SMC unions or training institutions on provincial and district level.
- * A plan for the training of consultants should be integrated in the plans of NTC and provincial training centres and a plan for meeting the priority needs in respect of cooperative advisory services should be developed and implemented.

4.6 Structure and Business Operations

Vietnamese cooperatives are or have been involved in most types of businesses and services and also they have been used for dealing with special issues such as employment creation and land reform (Rec.127). While business efficiency improvements may be made through training and through the above mentioned cooperative advisory services, other desirable improvements may only be accomplished through a closer scrutiny of the total cooperative system. In particular, it appears that the business undertakings of primary SMCs are not sufficiently linked to and supported by district and provincial SMCs and that the latter sometimes undertake business that is not linked to, but rather in competition with the primary level SMCs. Also it appears that business undertakings and joint enterprises with foreign partners as well as exports are pursued without a clear concept of providing benefits to members. While the above impressions may not be well substantiated, the issues are important considering the need for optimum business efficiency as well as the need for the cooperative system being capable of optimum delivery of services such as training, advisory services, accounts assistance, audit, etc., etc. The following is therefore recommended:

- * The relations and business links between national, provincial, municipal, district and grassroots SMCs and between the SMCs and domestic and foreign business enterprises should be the subject of a study which should consider the extent to which such relations and business links are suitable for effective business operations and to which extent secondary, tertiary and apex cooperative organizations are capable of delivering the needed support services to primary cooperatives.
- * Based on the findings and recommendations of the above study, action should be initiated aimed at adjusting internal cooperative structures as well as internal and external business links so as to increase business volume and efficiency and so as to optimize benefits to members through a cooperative system that is organized and works in compliance with cooperative principles and ILO's Recommendation 127.

5. Approach for Implementation

No timing has been suggested for implementing the above recommendations, the speed depending on the approach adopted and on the degree of urgency accorded by the Vietnamese authorities. However, considering the time required for separating the structures, businesses and other affairs of the cooperatives from those of the government, it is obvious that the implementation of all recommendations all over Vietnam will take several years. Three distinct phases can be envisaged:

Preparatory phase: The development of an appropriate policy on cooperatives as well as the formulation and promulgation of appropriate cooperative legislation will be of pivotal importance for the development effort. While the planning phase (below) can start immediately, it can not be satisfactorily completed until a solid base, in the form of policy and legislation, has been created. The preparation of such a base may therefore be considered a preparatory necessity.

Planning phase: A planning process, involving initially the systematic collection of more detailed and up-to-date information about the cooperative sector, seems necessary. Based on this information, the specific problems and constraints can be more accurately determined and so can the potential for development and the measures necessary for bringing about such development. The preparation of a "Cooperative Development Plan" would then be possible. Such plan would indicate the specific target situations to

be reached, would list the activities to be undertaken in order to reach the target situations, would indicate who would be responsible for the various activities, would indicate the resources necessary (including the possible need for technical assistance from international agencies) and would also indicate the timing.

Implementation phase: The Cooperative Development Plan would generally be implemented with the help of existing government and cooperative structures such as VICOOPSME, NEDCEM, ICPC, NTC and provincial and district unions, but it is also likely that new mechanisms will need to be developed, either in the form of new organizations or agencies or in the form of new departments or sections of present organizations. Likewise it may be found that some of the existing organizations or parts of such organizations are not needed. It therefore follows that the Cooperative Development Plan can not be implemented simply by adding extra activities to the functions that are now carried out on a day-to-day basis by the above organizations.

In addition to the efforts that can be made through existing organizations, a "Project Approach" would therefore have to be adopted. The project approach forces the involved parties to consider each issue very thoroughly. What exactly is wanted? = formulation of objectives. How to check objectives achievement? = description of target situations to prevail when project is completed. What need to be produced in order to reach target situations? = description of project outputs. What need to be done in order to produce the outputs? = the activities. And which resources (people, organizations, equipment, time, money, etc.) are necessary in order to undertake the specified activities? = the inputs.

Two different and complementary project approaches (not necessarily implying the involvement of an outside donor or implementing agency) may be used:

Approach 1: A concentrated effort to reach specific subject-oriented target situations nationally or in a selected geographical area: This approach would be most suitable for implementing the recommendations in respect of policy and legislation and could also be used for training and member education and some others.

Approach 2: An integrated (and concentrated) effort to reach all target situations (implement all recommendations) in a limited geographical area: The integrated approach, while being somewhat vulnerable to

defects in the overall environment (national policies, legislation, cooperative structures, etc.) would have the advantage of the various activities mutually supporting and reinforcing each other and would therefore be likely to show a more visible result in the limited geographical area. The idea of using this approach for creating a model cooperative set-up (a 'centre of excellence') in a selected province or district should therefore be considered by the Vietnamese government and cooperative movement.

A combination of the two approaches would in some cases be advantageous and it would always be necessary to link the project approach to the functions and inputs of the permanent cooperative set-up.

Human Resource Development Policy in Cooperatives

1. The Context

The Term 'Human Resource Development (HRD)' is unknown or confusing to many cooperatives in developing countries as the concept itself became known during nineteen seventies only. The usage of the term and also the focus of the HRD function has been diversified to the extent that it had been identified with training, personnel management or even manpower management and development. Therefore, it is necessary to discuss the background of the concept as well as broad definitions before entering into discussions on the HRD policies in the cooperative sector.

The industrial revolution in Europe brought about changes in the feudal agricultural society and created a market oriented economy towards the end of Nineteenth Century. In order to achieve accelerated and voluminous production for the markets, machines were developed and labour was used as another type of machinery to achieve mass scale production. The labour was also utilised to support machines and served as cogs in the production wheel. The work became mechanical and repetitive with certain amount of specialization. The contemporary management science supported the belief on labour as merely a means for production and adopted famous theory X for describing human behaviour.

However, the Hawthorn experiments proved a new theory of achieving more human productivity through motivational environment which was later supported by Fredrick Herzberg's hygiene-motivation theory and Douglas McGregor's Motivation theory. Abraham Maslow's concept of basic human needs reinforced the emerging interest in human beings in organizations and McGregor further developed it later by introducing Y theory.

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The psychological schools from early part of 20th century such as behaviourists supported the treatment of human beings as unique species. They held that human behaviour patterns are acquired than inherited. Later, Humanists further developed the human learning process and the development process.

The seeds of these developments are found in the teachings of the so called Utopian socialists such as Fourier and Robert Owen who belong to latter part of 18th and early part of Nineteenth century. Human solidarity as an innate and inherited character which was traceable to the inclination of forming communities could be found in early writings as in the case of Montesquieu. Marx's theory of surplus value introduced the economic dimension of human oppression and deprivation in the market oriented production.

Robert Owen (1771-1858) stands out from Utopian socialists as one who attempted to put his ideas to practice, on equality and human dignity. He had a holistic approach to the economic and social development of individuals as well as communities. This was an alternative to the contemporary oppressive society. His newly found New Harmony cooperative provided for 'equality of rights for grown ups, with no distinction as to sex or social standing and equality of obligations, according to physical and mental capacity; communal ownership of property and cooperative ownership association in the business and pleasures of life.'

His ideas on a more humane society have been expressed in his 'New View of Society' which reflected on the creativity of human beings and potential for leading a total economic and social life within a community.

These ideas and experiments changed human resource management drastically after 19th century and consequently the Human Resource Development emerged in 1970s. With this development, re-engineering process of hierarchical organizations to become net work organizations started. This development would allow all participating in an organization to innovate and manage the functions in a free environment.

2. Definitions of Human Resource Development

Traditionally, three resources have been identified in an organization:

- Human Resources;
- Physical Resources; and
- Capital Resources.

Earlier, the term 'manpower' has been used in business enterprises and other organizations in place of human resource. Manpower has been directly connected to the personnel within an organization. Human resource covers not only staff members, but also all categories of people presently involved and likely to be involved in the activities of an organization at micro or macro level. In this regard, even a prospective labour force of a country could be considered as a human resource. Many countries have established human resource development ministries to cover all aspects of human development such as education, health, vocational training.

HRD as a concept has been introduced by Leonard Nadler in 1969 at a conference of American Society for Training and Development held at Miami. Later, he published a book titled 'Developing Human Resources' in 1970. Human Resource Development has been defined by him as 'organized learning in a definitive time period to increase the possibility of improving performance growth.'

Organized learning is not incidental, but intentional. These learnings usually contain planned objectives although they can be formal or informal.

The facilitator and the learner should agree on a period of learning. This also contains evaluation of the process as well as the outcome.

The facilitator who provides learning facilities and resources is not directly responsible for the performance improvement of the learner. S/He can only increase the opportunities for learning.

Performance growth includes current performance as well as future performance.

Growth has two aspects : (a) organizational growth which has a complementary effect from the learnings of the members of the organization though they are not directly related to a current or a future job; (b) individual growth: this would either expand or shrink according to the nature of a country or an organization.

Following specific areas of activity fall within the purview of the HRD:

- i. Learning for improved performance on the present job of the individual (training).
- ii. Learning for preparation of an individual for an identified job in the not too distant future (education).

- iii. Learning for general growth not related to any specific job (development).

There are other aspects of management of an organization which are complementary or related to HRD: Human resource management, Organizational development and Career development etc. In some literature, these subjects are misconceived as HRD though they are closely related.

Many private enterprises have incorporated HRD as a management function. There is a growing number of such small and large multinational enterprises experimenting various strategies of HRD in Asia at present. Levers, Sony corporation, Brook Bond are some of them. UN ESCAP has advocated an integrated approach to HRD at the macro level through its Jakarta Plan of Action.

3. HRD Within the Cooperative Sector

Cooperatives are normally initiated by the individuals who are enlightened about their common needs. They also maintain a high degree of freedom for action and observe self responsibility. This very nature demands initiation, creativity, and entrepreneurship.

Cooperatives functioning in a market economy need to sustain the competitive advantage over other types of enterprise for their survival. Performance efficiency needed for such a challenge requires competence on the part of staff, leadership, as well as membership. Therefore, working with low margins and tedious process of democratic decision making demand more comprehensive HRD strategies. Better HRD policies and strategies would also have positive effect on the organizational development aspects as well.

The early attempts to introduce more developed HRD policies and programmes are found in developed cooperative movements in developed countries such as Sweden. Canada and the USA. Insurance cooperative system in Canada, Farmers cooperatives in USA and consumer and agricultural cooperatives in Sweden paved way for such a change. In Scandinavia, new HRD policies and strategies had tremendous impact on the improvement of organizational development.

Japan approached the HRD field through its traditional life long employment approach which ensures long term personal growth for staff members and

the members. HAN group related activities in consumer cooperatives and commodity groups in agricultural cooperatives are some of the strategies adopted in addition to famous quality circle system. These groups normally differ from the study circles in Scandinavia in terms of organization and functioning, but ultimate goal of individual growth is the same. In the case of Japan, as the groups function within their cooperatives, they have been able to sustain a sound member based management culture in cooperatives through representation and dealing with economic activities.

The management structures and corporate cultures created in developed countries are quite different from developing countries in Asia - specially in the case of ex British colonies. One of the fundamental difference which affects HRD is the adherence to hierarchical structures by the ex-colonial cooperatives as against matrix or grid type of organizations in developed countries. Recent emergence of network corporations dismantle the management structures further to form loose type of management groups federating into a massive mother company.

A large cooperative organization in India or Sri Lanka is quite different from other developed country based cooperative in terms of organizational structure and the HRD strategies used. The HRD strategies in these countries reinforce the existing hierarchical structure with obsolete management education in cooperative colleges. In such a structure, the communication barriers are such that new ideas hardly emerge other than conforming to the frame the people live with. The users of such organizations have to pay a heavy price for it. According to some studies conducted by Institute of Rural Management at Anand, India, dairy farmers in Gujarat are drifting away from cooperatives to private vendors due to low prices they receive from cooperatives. The problem for higher prices is the maintenance of a massive structure in the cooperative in which the overheads have become heavy. On the other hand, the private vendors keep a loose network with less overheads, thus passing the advantage to farmers.

In an organization such as this, the people involved become passive and apathetic. Individual's initiative would become marginal or none. Conformity to authority creates the passivity and de motivation except in the case of those who are in authority. The organization becomes closed and inward looking.

The collapse or decline of some consumer cooperatives in Thailand, Sri Lanka and India shows the problem of weak management of human

resources as well as the obsolescence of the management systems. Sri Lankan multi-purpose Cooperatives still use a costly accounting system introduced during a distribution oriented economy to manage the open competitive market. Giant consumer cooperatives in Thailand are failing due to centralized administration which take long time to take inefficient decisions. In all these cooperatives, one could see the alienation of staff and the members from business decision making. In contrast, performance based and customer oriented cooperatives would involve members and the staff to reduce overheads, increase turnover, cut down the waste, encouraging innovations, and bring more productivity through consultation, education and group management systems. In such a human resource development exercise, re-engineering process for cooperative organizations in a changing business environment would emerge.

In a rigid hierarchical cooperative structure, strict division of functions is inevitable. Many countries in the Region such as, Bangladesh, India, Malaysia, Philippines, Sri Lanka and Thailand have separated the training function and transferred to different kinds of colleges other than cooperatives themselves. Some aspects of on the job training and career development still remain with the cooperatives. These colleges - many are maintained by governments - do not function as business schools in the private sector or apprentice training institutions. As the faculty is normally consists of academics, the courses do not reflect the current demands of the cooperative enterprises. The content does not change with the changing business environment. They offer certificate courses through examinations.

In the current private corporations, the human resource development as a function is a complementary or an integrated activity to corporate plan of the organization. With the changes in the corporate plans, manpower is re allocated, structures are re adjusted and all support services such as HRD are re aligned to serve the new outputs expected. HRD would assess the performance needs required in terms of business plans, match them with competencies of re allocated staff and prepare and execute a new HRD plan to achieve optimum performance from the staff to reach corporate goals.

Another aspect of HRD is the existence of aspect of common value within an organization. Here, the individual values get integrated with the group values. The integration of individual goals with the organizational goals is cemented through a common value system. Cooperatives are also not an exception.

Lars Marcus, President of the ICA, in his speech to the 1988 Congress, attempted identify such values influencing cooperative development as following:

- * Self help values (activity, creativity, responsibility, independence, 'do it yourself').
- * Mutual help values (cooperation, unity, collective action, solidarity).
- * Non profit interest values (resource conservation, elimination of profit as a driving force, social responsibility, utilitarian goals, 'not profiting from others work').
- * Democratic values (equality, participation, 'equity').
- * Voluntary effort values (commitment, creative power, independence, pluralism).
- * Universality values (global perspectives, openness).
- * Education values (knowledge, understanding, insight etc.).
- * Purposive values (benefit to members etc.).

He also tried to identify major basic values such as :

- * Member participation;
- * Democracy;
- * Honesty; and
- * Caring for others

as most significant for today's cooperatives.

This initiated a discussion and a research into the values which are most relevant to contemporary cooperatives. Sven Åke Book in his study on cooperative values in a changing world tried to isolate them in a global context as following :

- * Honesty
- * Caring
- * Pluralism (democracy)
- * Constructiveness (faith in cooperative way)

The draft cooperative charter summarizes the world wide discussion, identifying them as 'the values of self help, mutual responsibility, equality and equity'. 'They practice honesty, openness and social responsibility in all their activities.'

Deterioration of accepted common values in the people involved in cooperative organizations would cause serious damage to the functioning of these human organizations. Constant orientation and reinforcement of such values in the performance of cooperatives only keep the human resources motivated and developed.

Newly emerging cooperative movements may need to undertake a campaign of mobilizing human resources through identification of common economic and social needs and goals, common value systems. Thereafter, the steps of establishment of a cooperative organization should follow. Julius Otto Muller in International Handbook of Cooperative Organizations identifies seven strategic measures for institution building of a cooperative :

- identification of the target group, of the socio-cultural potential, of the problems and structures concerning socio-economy and power policy, of the structures of needs and self sufficiency, of the motivating powers and formation of will power on the one hand, and the factors preventing self help, on the other hand;
- experience of the possibilities and abilities to participate in view of a immediate motivation to participate in real tasks;
- training in all the specific functions of cooperation (group organization, situation analysis, decision making, operational planning in production, processing, marketing, management training, administration etc.) in a mutual dialogue and permanent communication between partners;
- planning resources in terms of the mobilization of own and external funds, planning credit, and forms of credit liability;
- management counselling and establishment of vertical and horizontal organizational structures;
- creation of a network for the future exchange of experience and of other forms of contacts with other similar groups;
- monitoring and evaluation, learning self evaluation and feed backing the evaluation results to the own or other groups.

Any cooperative promotional agency requires to adopt a policy of forming cooperatives not by compulsion, but by igniting the spark of voluntariness. A human resource development in keeping with cooperative values and the spirit of cooperation and solidarity needs to be adopted.

The state promoted cooperative systems may need to go through an evaluation and re thinking process in terms of cooperative principles and practices. Eventually, it may be a case of dismantling the present structures in order to pave the way for more voluntary and democratic organizations. In either case, the people involved, after going through a process of unlearning and relearning process, would decide the nature of cooperatives they would aspire to establish.

4. Human Resource Development in the International Cooperative Movement

The national cooperative movements were consolidated into an international organization called 'International Cooperative Alliance' in the year of 1895. The countries where the cooperative movements became stronger wanted to spread the message of cooperation to other countries and build up a global movement for mutual benefit.

Many new programmes such as 'Without Boundaries' from Sweden helped to expand the activities of the ICA to developing countries in Asia, Africa and Latin America. The ICA, from its inception, has been engaged in serving as a global spokesman for cooperatives and facilitator of cooperative development.

Challenges posed to 'trickle down approach' to development and the criticism of international financing agencies for the use of pure economic indicators without considering social or human aspects led to initiate a debate on the focus on development. The massive empires of Scandinavian and British cooperatives started losing the very value system they have safeguarded. The importance of HRD has been discussed in the international forums which led to undertake a fresh look at the global cooperative movement during latter part of nineteen seventies. Dr. A.F. Laidlaw was entrusted with the study who made report to the ICA Congress in 1980.

Laidlaw identified key areas for realising economic and social efficiency in the cooperatives of 2000 which emphasise the development of human side of

cooperative enterprise. (This is titled as Cooperatives in the year 2000). He says "The cooperative that scores high from a social standpoint :

- assists in programmes that help to create community spirit and is involved in broad human and social problems outside the narrow confines of business;
- has great concern for education in the broadest sense- and indeed the social impact of a cooperative can usually be gauged by the vigour of its educational activities;
- does not permit racial or religious discrimination in its employment or operative practices;
- is associated with democratic and humane causes that benefit other people besides the members;
- has concern for the poor and makes special provision for helping poor people to become members and benefit from the cooperative;
- is known as a fair and just employer and a good corporate citizen in the community;
- supports programmes of international development to help cooperatives in the Third World."

The life of cooperatives remains not on the capital, but on the enlightened participants of the organization who manage the capital. In this process, human resource becomes not only the means but also the end. Only such enlightened people, irrespective of their knowledge of letters, could observe the values and discipline of cooperatives. It is for this reason, cooperative education has been hitherto recognized as a principle. After studying the current situation, Laidlaw said 'It is generally agreed that neglect of education is now fairly widespread through out the cooperative movement in most countries, and it is safe to say that the majority of cooperative systems, except in third world countries, are guilty of default in this respect. In many cooperatives, education has been mostly a one stop affair; intense activity and high interest at the start, and waning interest there after. While the business speeds into the cybernetic age, education still lingers in a sort of stone age in many places There is usually careful attention to the need for setting up reserves to take care of depreciation of physical assets, but often nothing to provide for depreciation for another kind, the human capabilities'.

Consequent to the 27th Congress, the ICA declared an overall policy for cooperative development. The statement indicates the need to realise economic and social progress from grass root levels by active involvement of disadvantaged groups themselves. The policy also emphasises the need to develop towards self reliance through democratic participation by the involved groups including women. These target groups should be developed through education and training. The staff should be professionally developed to realise professionalization of management. Promotion of effective personnel policy in cooperatives is another vital area for future.

The concluding remarks of the policy statement says, "... there is however one positive aspect: the growing recognition that genuine development can be achieved even in these dark times, by an active involvement of great masses of men and women in the development process. To a much larger extent than before, this process must take the form of mobilization of human resources of help to self help."

The ICA changed its structure in keeping with the new demands and the development strategy declared. Creation of a HRD division was one of the most important development.

Formulating an HRD Policy in keeping with the overall development policy was undertaken in 1990. The new HRD policy adopted at the ICA executive committee held in June 1990 at Stratsberg followed a broader concept than earlier education and training concept: "The concept of HRD in cooperatives means all the planned information, education, training, mobilisation, and manpower development activities undertaken by cooperatives so as to create economically efficient organizations capable of providing services required by members".

The ICA Committee on HRD for Asia and the Pacific adopted an HRD Policy and strategy for the Region in 1990. The policy has following objectives:

1. Helping individuals who participate in cooperative organizations to explore their capability in development and potentiality to become self reliant and self managed in achieving their personal needs;
2. Facilitating the process of integrating individual goals with collective action through mobilization of groups of people with common needs, including marginalised groups such as women and youth;
3. Creating an organizational environment in which all people including

members, leaders and staff members, who participate in a development process, could collectively work towards a commonly agreed goal through identification and demarcation of roles, developing them in their capacity to perform such roles and also introducing changes in keeping with the transient nature of the contemporary society;

4. Strengthening collaboration among cooperatives of various types and levels to promote human resource development through sharing of experiences and resources;
5. Influencing governments and inter governmental organizations to formulate HRD policies and programmes and create conditions that may help to strengthen cooperatives.

5. HRD Issues in Vietnamese Cooperatives

A conducive government environment is essential for HRD to achieve realized impact in co-operatives in Vietnam. As an example, HRD can play only a marginal role in a dictatorship. The article No.20 of the Constitution of Vietnam provides a positive environment in this direction, which says "Power and capital of the collective economy are contributed by citizens for their business and production in various forms on the principles of voluntariness, democracy and mutual benefits".

What has been the experience of Vietnam Co-operative system in terms of individual growth of people integrated with co-operatives?

Dr. Le in his presentation identified some factors which negated such a developmental change in co-operatives:

- * Co-operatives lacked in their initiatives and equality in their relations with other economic organizations and serve as an agent to state economic plans;
- * Principles of mutual benefit interests of co-operative members violated and the business management was in line with the state;
- * Staff and managers have not been trained in technology and managing economic enterprises.

HRD cannot be isolated from the corporate policies and culture of an organization. HRD strategies serve the corporate objective within its

culture. The co-operatives within a centrally planned economy depend their functional efficiency on the reality of planning and the administration of plans, rather than individual members' initiatives or the strength of self-help. The original concept of co-operatives as organizations voluntarily formed by individuals who are enlightened on their common socio-economic needs have been transformed to become 'socialized means of production'. Thus in Vietnam, a confusion prevailed as to the basic character of a co-operative. Mrs. Nghia's explanation to existing forms of co-operatives is a clear example of this confusion. Robert Owen's early attempts to achieve a voluntary and peaceful transition from capitalism to socialism through development of individuals in relation to their communities have been used in contradiction in centrally guided economies through revolutions.

Therefore, such a human enterprise requires 4 pre-conditions in an economic environment :

1. Fundamental freedom to trade and professional activity;
2. Freedom of individuals to select legal forms of enterprise to pursue certain economic goals;
3. General guidelines by the state to prevent discriminatory practices in market competition, establish legal accountabilities of individuals' freedom of economic discretion and its consequences, formulate safeguards against labour exploitation and formulate regulations ensuring environmental protection;
4. Special laws for co-operatives safeguarding their identify.

Entrepreneurship is a key to a successful co-operative. It emerges from the individual member's initiative. In a system where individuals do not have power to decide on the utilisation of resources or do not own properties, co-operatives can hardly survive. Agricultural co-operatives in Vietnam is one example. When DOI MOI policy was implemented, private entrepreneurs started growing at an incredible speed, where they had opportunities and means to invest.

Let us discuss the operational aspects of HRD in co-operatives in relation to the targets set for co-operatives as appear in the paper on 'Strategy of Developing Co-operative Economy of Vietnam to the Year 2010'.

Specific development targets set are :

- Till 2000, about 20% small enterprises. Economic households and labourers will gather in co-operative models absorbing about 5 millions of citizens to join in co-operatives.
- To try to have a rate of 30-40% of small enterprises, households, labourers who will joint co-operative models in 2005.
- Thereafter, to build the strategy for developing co-operative economy for following years.

The targets clearly shows the labour intensive policies for employment creation through medium and small scale enterprises. The co-operatives normally work in these areas. If we consider these as macro level strategic plans for the co-operative sector, HRD has to work through several strategies:

- i. The present and prospective members of co-operatives, collectives and such groups should be exposed to an unlearning process in respect of former orientation to state administered collectives. Subject to many decades of subordination to centralised planning, they may take some time to gain individual initiative, to think in an open economy. Simultaneously re-learning on the character and the principles of co-operation through practice is essential. This may need pilot programmes based on traditional self-help groups as in the case of farmers groups of Mekong Delta or re-organizing at least some of the existing share holding co-operatives.
- ii. Formation of new forms of co-operatives based on accepted co-operative principles to take over some of the state enterprises which are likely to be sold or handed over to private sector. The workers in these enterprises could themselves take charge of such enterprises after going through a process of training in co-operative practices and modern management systems. Vietnam has an advantage of not having massive hierarchical co-operative structures created under protected economies as in the case of Soviet Union or India. In a well focused, organized learning situation, the participants would effect an organizational change and growth in addition to their individual growth.
- iii. Inculcating management capabilities and entrepreneurship among co-operative members. Involvement of members in strategic planning, monitoring and auditing are essential to develop them as managers. This would change the present practices of boards being in charge of business.

- iv. Management counselling and guidance by specialists conversant with the operational aspects of market economy.
- v. Creation of a network of managers, leaders and technicians for future exchange of experience and other forms of contacts with similar groups.
- vi. Learning and practice of self-evaluation and self audit.
- vii. Creation of social arrangements to retain women as functionaries in a changing market economy.

These actions require certain pre-requisites:

- (a) The state sponsored co-operatives need to go through an evaluation and re-thinking process in terms of members' needs and co-operative principles. Constant re-structuring has become a continuing process even in the private sector companies.
- (b) Create a policy for human resource development which will be conducive to promote co-operative corporate culture in co-operatives. Unlike a private enterprise, which depend on capital, the success of a co-operative depends on the group actions. Value system in a co-operative is distinct from a private enterprise. These values determine the commercial behaviour of a co-operative. The ICA has undertaken a fresh study on Co-operative Values. Out of identified values such as self-help, mutual help, non-profit interest, democracy, voluntary effort, universality, education and purposiveness, the recent charter emphasizes on self-help, mutual responsibility, equality and equity. Therefore, the HRD policy formulated in the co-operative sector provides framework for HRD strategies and practices. This would also influence the related areas such as human resource management and organizational development.
- (c) Re-engineering of co-operative training and education is important to carry out HRD activities. The theoretical education should be replaced with need-based and forward-looking development systems which incorporate vocational training based on demand oriented and marketable vocations and entrepreneurship. The HRD institutions should work with development systems such as apprenticeship, job rotation, and career counselling. The structure should combine training institutions with work places.

6. Conclusion

The human resource has been identified as an end as well as means by practically all economic, social, and political organizations in the world. Cooperatives, private sector organizations, governments and intergovernmental agencies have set up distinct functions and organs to explore the potentials of human resources within their organizations as well as target groups to realise more productivity. The current competitive market has become the driving force for this development. Business enterprises have become information societies managed by people rather than machines or such tools.

It is evident that cooperatives in many developing countries are lagging behind in the use of human resources to the optimum benefit to organizations for want of new development approach which ensures an individual's initiative and creativity in an organizational structure. In order to keep pace with the other sectors, they need new value systems and development strategies. It is also evident that so long as the traditional cooperatives retain the obsolete hierarchical structures, these strategies could not be implemented. Such an environment is not conducive to an individual's creative activity.

In this regard, emerging new cooperative movements have a better chance of progress provided they adopt modern practices of human resource development. Treating HRD as a logical and integrated component of a corporate plan and a strategy is a precondition to determine the nature of HRD activities. These activities cover not only the existing manpower within an organization, but also the leaders and share holders (members) who work on partnership, having a common goal. Drawing experiences from successful and developed cooperatives and learning the contributions made by HRD function would provide a better learning for the promoters of new cooperatives rather than from purely academic institutions.

The role of the ICA in the field of Human Resource Development is in the direction of facilitation. It would function as a catalyst for HRD through a process of coordinating technical assistance to introduce new HRD concepts, methodologies and create a forum for exchanging experiences.

Role of the Vietnamese Women in Strategy for Cooperative Development

Like millions of women of other countries in the world, Vietnamese women have an important role in all social and economic activities. Now in Vietnam - a country in the transformation from a subsidised economy to a market economy - role of women has been becoming increasingly important when the State has a plan for developing a multi-sector economy, realising all potentialities and creativity of all labour masses at all ages.

Among these economic sectors, the Party and Government of Vietnam determine the driving force of the State economy, and the cooperative economy has been encouraged in State strategy for economic development as strategy leads to the goal of our State : A rich nation, powerful country, equal and civilised society. For this reason, the role of Vietnamese women should not be neglected in the transition process - especially the role of women in cooperatives - in which women regularly account for 60 to 70% of labour force throughout the history of 40 years of the cooperative movement.

During the years of subsidised structure, the cooperative movement in Vietnam developed quite strongly together with women and men, during when women mainly allocated in the cooperatives of handicraft, supply and marketing, vocational villages contributed to bring about 30% of industrial production, more than 50% of local industrial production, and 22% of total retailing in the community market. The critical characteristics of cooperative movement at that time was that their business and production had to be in line with State plans. Capital, production materials, goods marketing were all directed by the State, without any competition. Therefore, their products did not need change in design and quality improvement as they were in a sustainable existence.

In this transition period, women directors of cooperatives, on the basis of plans given mainly from the State, had to organise their production,

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business and cooperative management in the best way in order to ensure the highest quality of its goods, to spend raw materials at the lowest and to deliver goods in due time.

On the part of cooperative women members, they only ensured the productivity, goods quality, and piece-work; therefore, their roles were reflected by how they fulfilled their task given by the cooperative. Generally speaking, in the subsidised structure, the role of women in cooperatives had been reflected through their hard-working, enthusiasm, and carrying out family, social and cooperative responsibilities. However, in the market economy, the role of women should meet new demands which are quite different from the past, such as professional and labour competitiveness. The existence and development of cooperative depend on high quality and competitiveness of their goods. Therefore, in order to improve the productivity and quality, the cooperative women members have to combine their labour with study, self training to improve the skills and to obtain other knowledge such as marketing and management.

The role of the women directors in cooperatives is much higher than in the past. They have to struggle with the market to find out better opportunities for their business. They have to search for cooperatives and joint-ventures with advanced technology in improving the capability in developing conditions of their cooperative in order to use ways of mobilising the working capital most efficiently. For their own part as women directors, they have to attend many training courses of marketing, export-import management which is required for the development of their cooperatives keeping pace with other enterprises as well as their products with the high competitiveness in the market as their ultimate target.

Generally in the restructuring period, the role of women in business enterprises in general and particularly in cooperatives is reflected at higher levels because if they do not meet the demands required by the cooperatives and new structure, it will be difficult for them to survive. This affects the growth rate and competitiveness of cooperatives.

In such conditions, the problem is that the strategy for cooperative development should define clearly the role of women and how to help them to realise in the best their important role. In the strategy for cooperative development of Vietnam (up to the year of 2010) there are three goals and completely cover the periods of 1995-2000, 2001-2005 and 2006-2010 described below :

- 1: To absorb 15 million workers within the cooperative sector.
2. To improve technology of cooperatives to make the technology level of cooperative sector to keep pace with other countries in the region.
3. To reach the share of 50% of the GDP in the non-state economic sector.

These goals are ideal, formulated at the period of cooperative movement attempting to keep pace with new structure while the State policies for supporting cooperative sector have been gradually perfected. Therefore, in order to make the strategy for cooperative development go in the right direction, women themselves have to determine their role.

Market mechanism have many positive factors on men and women. It has changed the thinking of people. One can recognise the deficiency in his or her knowledge on economic management, foreign languages, professional capability, techniques, marketing strategies and others. This inadequacy itself promotes women to study continuously to meet new demands. All we know is that a woman with her well-known natural functions of bearing, feeding and organising their own family life and their responsibilities to their families, faces many difficulties. Accounting for 50% of 15 million of labour, the women labour for cooperatives will be 7.5 million. In this regard, it is not easy for women to bear family's responsibilities while working in cooperative, learning and strongly holding their positions. Therefore, this problem must be solved not only by women but with the support of the State, branches and the union.

The target of changing basic technology is not an easy task for women. Educated women are rarely found in cooperatives, but women only do simple work or manual labour. The training for women in cooperatives must be appropriate to their educational level as well as professional characteristics and geographical areas. For women members, the training should be carried out in their place of work. For women cooperative owners, the training should be conducted mainly in customer services, but for women directors, training courses should be short-term, through seminars, discussions, exhibitions on technology and experiences. The most important is the capability of self appropriation of their needed knowledge. Changing basic technology in cooperative means universalisation of knowledge and perfect use of advanced equipment by everyone in cooperative. In fact, elderly women workers in cooperatives have been gradually replaced by young workers who can absorb new knowledge and advanced technology.

Changing technology is the objective needed of an economy as well as perception capability of the people. If the training is related closely with the improvement of technology, then it is not difficult for young woman members to absorb new technology and to realise their role in all periods.

With the basic improvement of technology in line with cooperatives in other countries in the Region, 7.5 million women absorbed in cooperatives with fundamental education, and good working conditions, the income by cooperative sector targeted for 50% of GDP of non-state sector is possible.

However, to support women for better realisation of their role and in order to effectively implement the strategy for cooperative development up to the year of 2010, the Government policies for cooperatives in general and for women in particular must concentrate on the following problems :

- * To create integrated legal environment to ensure the advantageous development for cooperatives and from this base woman would feel assured with their production and business.
- * To create favourable social environment such as : kindergarten, infant schools, junior schools of various types to organise services for women, help them to increase time for their household work.
- * Vietnam Women's Union is an organisation which supports women in training, creating capital for woman workers to develop their business and production.

Women have functions of conserving and developing race in every country and nation; the growth rate of each nation depends on the role of women; and it has a strong impact on their role.

Strategy for cooperative development cannot be implemented without the important contribution of women. The favourable social environment, integrated policies of the State for cooperative movement in Vietnam are the best conditions for women to realise their role.

International Trade and Cooperatives

1. Cooperatives are basically economic institutions with socio-economic objectives. Cooperation among the Cooperatives is one of the six Cooperative Principles universally accepted on the recommendations of the ICA Commission on Cooperative Principles. This Principle is applicable to the cooperatives not only within the country but also between the cooperatives of different countries. In fact, trade relations are the best form of cooperation which can help each other and sustain for a long time. Cooperatives are supposed to help producers to get best price for their produce as also the consumers to get their requirements at reasonable price by reducing the middlemen's margin to the minimum. This is equally important for the goods involving international trade where multi-nationals and big companies dominate the business and dictate the prices and terms.

2. International trade requires a very alert and steady approach. International cooperative trade is still more difficult and time consuming. Inter-cooperative trade, particularly at international level, requires a lot of mutual faith and understanding without which it is not only difficult to make a breakthrough but still more difficult to sustain it. International trade is influenced by so many external factors that with the best of precautions, unforeseen losses cannot be avoided at times. Unhealthy competition, unscrupulous methods of overcoming Government regulations, non fulfilment of obligations in adverse conditions are not uncommon. The strong hold of multi-nationals on account of their superior organizational infrastructure, expertise and financial strength very often make it difficult for cooperatives to compete with them and stay in this trade.

3. In all the countries, whether they are centrally planned or free market economies, the basic objective of cooperatives is to assure better return to their members and thus improve their socio-economic conditions. They are involved in credit, production, marketing as also other placets of life. However, inspite of the universality of the cooperative movement throughout

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the world and extensive exchange of information through the forum of ICA and various UN agencies, they have not been able to develop and strengthen trade relations between themselves to the desired extent. This is in spite of the fact that the need and importance of international trade by and large within cooperatives has been realized and expressed at various forums for more than two decades.

4. The ICA has appreciated the need and desirability of inter cooperative trade since long. The subject of promotion of International Cooperative Trade had been on the agenda of the International Cooperative Congresses several times. A few references, as given below, are relevant in the present context. The 19th Congress, held at Paris in 1954 discussed a special paper on International cooperative trade: the Possibilities of Collaboration between National Organisations and its Development by the Alliance.

5. At the 20th ICA Congress held at Stockholm in 1957, a special paper was presented on "International Cooperative Trade - Its Difficulties and Possibilities and the Widening of Contacts" with a view to exchanging of experiences in cooperative activities. The subject was again discussed at the 26th Congress under the caption Collaboration at the International Level, which included the report of the ICA Working Committee on collaboration between cooperatives. The report had given a brief but comprehensive analysis of the global situation.

6. The 28th Congress, held at Hamburg (Germany), in 1984 again adopted the resolution as given below with the objectives to draw attention to the existing trade barriers and to work for their removal so that Inter-Cooperative Trade may be promoted and facilitated.

The XXVIIIth Congress of the International Cooperative Alliance :

Expressed its regret that the development of International Trading Links between cooperatives is frequently inhibited by barriers imposed by governments and other agencies, through controls and regulations of various kinds.

Calls upon all ICA member organisations to work towards the removal of all such barriers in the interests of developing international co-operation in a practical way.

A number of other instances can also be cited from Congresses but they are not necessary. The objective is to emphasise the interest and courage of community of cooperatives in the promotion of international cooperative trade.

Cooperative Trade Conference

7. The International Cooperative Alliance (ICA) immediately after the Paris Congress held in the year 1976, set up the Economic Sub-Committee and subsequently organized three International Trade Conferences; in 1978 at New York, 1980 at Moscow and 1982 at Cairo, which can be considered positive steps in this direction to enlarge the scope of International Trade among cooperators compatible with this magnitude.

UN Secretary-General Report

8. The problem of increased participation of cooperatives in export and import trade was also dealt in some detail in the Report of UN Secretary General during the Thirty Eight Session of the United Nations Economic and Social Council. The report stressed the increasing role the Governments of developing countries would have to play in export/import organisations. According to the report, this role could be greatly strengthened if cooperatives with Government support and with collaboration of Cooperative Movements in Industrialized countries, could take a greater share of these export promotion and trade activities.

Global Cooperative Trade

9. Cooperatives of industrialized countries are buying their requirements from developing countries. But it is mostly from private trade. However, there are instances where inter cooperative trade has taken place between the cooperatives of industrialized countries themselves as also between the cooperatives of developing countries and industrialized countries. But these transactions have been by and large of small value. Further, such attempts have not been properly documented to appreciate their initiatives. Due to the efforts made by BECA of ICA, inter cooperative trade of the order of US\$ 200 million was reported to have initiated. Similar initiative has also been taken by US Cooperatives by establishing Cooperative Business International which is making efforts to promote inter cooperative trade. It is only Inter-Coop which is a joint buying group of 18 countries from 21 consumer coops and NAF (another joint buying group of Scandinavian consumer coops) where substantial international joint buying on behalf of cooperatives is done but even they buy most of their goods from private sector.

Asia and Inter-Cooperative Trade

10. On the recommendations of the Cooperative Ministers Conference held in Tokyo in April 1964, ICA ROAP had conducted the survey on "Trading of Cooperatives - South East Asia". This was followed by the Asian Regional Conference on International Cooperative Trade in South East Asia which was also held in Tokyo in June 1968 convened by the ICA Regional office for South East Asia in collaboration with the Central Union of Agricultural Cooperatives in Japan. The Conference was attended by participants from Sri Lanka, Indonesia, Republic of Korea Malaysia, India, Pakistan, Philippines and Thailand.

11. However, international trade by Asian cooperatives still remains rather limited and ad hoc and more so in inter-cooperative trade. The only exception is the Japanese Cooperatives. UNICOOPJAPAN had taken a lead in the past to promote inter-cooperative trade resulting into various trade agreements like the THAI-Japanese Maize agreement, US- Japanese Soybean agreement, Peru Japanese Fishmeal agreement and the Indian-Japanese Feed Meal Agreement. Unfortunately these agreements did not last long for many reasons. In recent years COOPTRADE Japan has also tried to promote inter cooperative trade particularly in fish products. They have established joint ventures with Indonesian and Thai cooperatives. In India, the National Agricultural Cooperative Marketing Federation (NAFED) made an agreement with the Universal Cooperatives through the Cooperative Business International for the export of niger seed which could be a good example of promoting inter cooperative trade. Now TRIFED has also joined it. The NTUC Fair Price Singapore had bought some products from the Agricultural Cooperative Federation of Thailand. Recently, the Australian Cooperatives have also shown interest in exploring the possibility of inter-cooperative trade at the initiative of the AAC. However, there is much remains to be done to develop inter-cooperative trade, which does have good potential.

Need for Global Inter-Cooperative Trade

12. For reducing the dominance of multi-nationals, we need a strong healthy competition which is presently missing. Cooperatives can be the most appropriate organisations to create the healthy competition if inter cooperative trade can be developed between the cooperatives of importing and exporting countries. The exploitation by the multi-nationals does not confine only to developing countries but also in the industrialized countries.

Thus, there is the need for promoting inter-cooperative trade between the cooperatives of developing countries and industrialized countries.

Private vis-a-vis Cooperative Trade

13. It is a fact that in the international trading, the basic object even for cooperative is to sell the goods at the most advantageous prices. In promoting inter cooperative trade, we do find some difficulties. To overcome them, we have to refresh and understand the significant difference in the objects and actual operations of a cooperative and a private trader. Some of these differences are:

Private Trade	Cooperatives
a. A private exporter is his own master accountable to himself or his boss;	In a cooperative there are many masters and accountability is to many like Chairman, Board of Directors, various Committees, General Body, Govt. etc.;
b. Decision taking process is faster;	Decision taking process is comparatively slow;
c. Profitability is the concern;	A balance has to be maintained between profitability and social accountability;
d. Avoids or distributes risk by covering goods according to the capacity of the supplier;	Have to carry the risk as suppliers are the owners from whom no guarantee or security could be enforced easily;
e. Usually does not have many tiers;	Usually have 3 or 4 tiers;
f. Can have mutual understanding beyond the legal contract;	Have to work strictly according to contract terms and own regulations;
g. Means are not that important and are often not questioned;	Integrity is important and means are always questionable;

- | | |
|---|---|
| h. Often works in DP terms and takes risk; | Usually works on LCs to avoid risk; |
| i. Incentives and disincentives are related to performance; | Incentives are less accountability is more; |
| j. Can save taxes by short cuts. | Cannot afford short cuts. |

While cooperatives have many disadvantages in their working compared to private sector, they also have a few advantages like;

Private Trade	Cooperatives
a. Do not have direct link with the producers;	Have a built in organizational links with the cooperatives and producers;
b. Can have only commercial facilities;	Can have more resources cheaper finance and government patronage;
c. Does not want to lose knowingly.	Can afford to lose to a certain extent knowingly with a social purpose or members interest.

14. It is often observed that when two cooperatives deal with each other and if something goes wrong not only each one tries to shift the fault to another, but often very much publicise it at various forums and a deadlock is created. If the same thing happens in private sector, they try to settle it quickly and continue in the trade. It is necessary to appreciate the shortcomings of each other in cooperatives and extend possible help and guidance to each other to overcome so that trade relations continue instead of coming to a deadlock. Profit and loss particularly in a new business is a normal thing and no one can completely avoid it. Cooperatives' management should also accept it boldly as it is necessary in the long term of mutual trading.

15. However, when only one side of the trade is the cooperative and the other is the private organisation, the cooperative often does not face the difficulties for the reason that private trader has more flexibility and may adjust himself if in the long run he is not the loser. On the other hand in a business with cooperative, they have their own limitations in the flexibility

of their operations as loss, if any, when view against anticipated profit is taken more seriously than profit earned. This makes often difficult to continue the trade relations between the cooperatives for some default from either side.

16. It is a fact that inspite of the various limitations, there is enormous scope of promoting the inter-cooperative international trade in a number of products and consumer articles. But unfortunately, the potential has not so far been fully identified and exploited. In fact, even today in the cooperative sector we do not have any system to have statistics on cooperatives involved in international trade in different countries, and goods being bought/sold by them in the international markets. Further, buying/selling cooperatives have developed their traditional links with the suppliers in the private sector who have understood their problems and requirements. Any change in these established supplies is bound to have some type of dislocation risk involved. The concerned officials who are responsible for carrying on these activities normally would not like to take risk in change of suppliers as otherwise they could be held responsible for any deficiency in the operations and effect their future career.

Cooptrade Project

17. In 1978, ILO/SIDA Regional project on strengthening of inter cooperative trade relations - COOPTRADE was started in South East Asia. The background of this project stated, "In most of the countries in Asia, Cooperatives fulfil important services in the field of supply, production and domestic marketing. This role of cooperatives can become an important factor in checking unfavourable price developments caused by international market conditions or by domestic situations. Cooperatives in developing nations in Asia, however, have been only little engaged in international trade. Those which become involved in export/import business could plough back the profits from such operations to their producer/consumer members. Consumer cooperatives engaged in importing could channel their earnings directly to members through dividends, or indirectly by using the money to invest in e.g. storage facilities or for social services (medical aid, education etc.). Cooperatives in export trade could use their earnings to pay directly to their members through dividends or indirectly by investing in e.g. transport or processing facilities, which would enhance their market position. Increased international trade for cooperatives in developing countries could therefore not only strengthen the national economy, but also play an

important role in the improvement of the socio-economic situation of the cooperative members.

18. Initially, the project boundaries were confined to 12 countries viz - Bangladesh, Burma, India, Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand. Primary objective of the project was to promote and develop trade between the Asian Cooperatives and their counterparts and others in industrialized nations as well as intra-regionally among the Asian countries.

ILO/SIDA Cooptrade Project Recommendations

19. In its final report in 1982, the ILO/SIDA COOPTRADE Project made certain recommendations regarding trade between developing countries in the region as also with industrialized countries which could be of relevance. Some of these recommendations were :

(i) *Inter cooperative trade between developing countries of Asia*

Few cooperatives in the region are engaged in importing. In several of the countries there are import restrictions which hamper the development of inter-regional trade between cooperatives. In quite a few cases, cooperatives are producing similar products and exporting them to neighbouring nations, therefore, it is difficult, if possible at all. Nevertheless, a few countries have a less restricted import policy and intra-regional trade between cooperatives, without doubt, in some cases is possible. Agricultural products including rice, fresh fruits and vegetables, spices and also dried fish are commodities produced by cooperatives which have a demand in the region. Non-food products of cooperatives seem to be more difficult to sell within the region. However, a number of products such as handloom products, wooden furniture, sports goods, bicycle spare parts etc., seem to have some prospects. Potential buyers of mainly agricultural items are cooperatives in Singapore and to some extent in Malaysia and Thailand.

(ii) *Inter-cooperative trade between developing countries of Asia and industrialized countries*

a. Cooperatives in industrialized countries should more actively establish trade contacts with cooperatives in developing countries in Asia. In order to promote such business, it is important to

appoint persons at Cooperatives in industrialized countries who can act as liaison officers for trade development issues between cooperatives. But with no one in charge of such offers and no samples from cooperatives in developing countries, such proposals often get little attention from importing cooperatives in industrialized countries.

- b. If cooperatives in developing nations can meet the requirements of sister organisations in industrialized countries, the former should be given the opportunity to place trial orders thus both would gain experience on how to further develop trade with each other.
- c. In a number of cases, opportunities to establish joint ventures exist. More attention should be paid to such proposals by cooperatives in developing and industrialized countries.

20. On termination of this as ILO Project in December 1982, it was transferred to ICA ROAP as ICA/SCC Project. The project was able to make a break through to a certain extent by promoting cooperative trade. A few of the business contracts developed and executed with the assistance of this project were as under:

From Sri Lanka

- (a) Desiccated coconut to France;
- (b) Fresh coconut to Mauritius;
- (c) Copra to West Germany.

Philippines

- (a) Rotten furniture to Denmark

Thailand

- (a) Rice to Hongkong and Singapore

Indonesia

- (a) "Tuna Fish" trade between Indonesia and Japan.

Revised Objectives

21. From 1990-91 the SCC funding for the project was reduced to only secretarial support. However, based on the past experience and existing limited resources available the ICA ROAP do try to support this activity. But the results so far in concrete terms is not much encouraging.

22. It is, therefore, necessary to take concrete steps at the national and international level to promote international inter cooperative trade. Some of the measures could be :

- i. A policy level decision should be taken in every cooperative which is involved in international trade to promote international inter cooperative trade and advise the concerned officials to encourage such inter cooperative trade.
- ii. The concerned officials should be clearly directed that their efforts to promote inter cooperative trade will be appreciated and placed in record even though it may involve some risk in the initial deals. This need not be done necessarily by replacing the traditional buyers/suppliers but to buy/supply at least the additional requirements from cooperative buyers/suppliers thus not taking the risk of dislocating the regular customers.
- iii. An exclusive cell in the form of Network Concept should be created at the national level by the cooperatives involved in the international trade which should act as a coordinating body and concentrate in exploring and promoting inter cooperative trade enquiries and its follow-up.
- iv. The exchange of delegations between the importing and exporting cooperatives to explore the possibilities of promoting international cooperative trade and to understand the situations and problems of each other should be encouraged. In exchange of such delegation, the local cost may be met by the host country and the travel cost may be met by the countries sending the delegation. ICA shall promote such delegations based on the potential of international trade in the concerned countries.
- v. Exporting cooperatives should actively participate and contribute to CTI either directly or through their national representatives.

- vi. In order to organise the cooperatives involved in trade (domestic as well as overseas); concerted efforts be made to strengthen the linkages with the grassroots producers cooperatives. A time bound action plan is required, may be on experimental basis, to strengthen management and marketing skills of grassroots level cooperatives.

Network Concept

23. The idea of having one or more apex agency in each country to coordinate the export-import through the cooperatives formed the basis of Network Concept with the following objectives:

- i. To act as a focal point for exchange of information regarding International Cooperative Trade and its scope for the cooperatives within the country as also from outside.
- ii. To identify cooperatives which are already in Export- Import Trade and have potential in the undertaking of Import-Export Trade.
- iii. To identify the items which can be exported-imported by the cooperatives.
- iv. To create an exclusive data bank on the vital information and statistics concerning overseas trade in the region. Dissemination of information to member cooperatives.
- v. To undertake export-import on behalf of such cooperatives who cannot undertake Import-Export themselves.

Trade Pact

24. Another concept of a "Trade Pact" was proposed in Sydney meeting of CTI in February 1990. Many national cooperatives accepted the concept and shared interest. But since then no progress has been made in Network concept and trade pact.

CCA Initiatives

25. Recently CCA has taken a few initiatives to promote inter-cooperative trade. A meeting of selected cooperatives in trade was held in June 94 in

Canada. Another workshop - The Enterprising Cooperatives : Challenges of Nineties was held in February 1995 in Saigon, Vietnam in which cooperatives interested in international trade from Asia as also experts from CCA, DID, ILO and ICA participated. In this workshop a work plan to promote cooperative trade was recommended. It was also agreed that JUK from Indonesia would try to coordinate these activities in future with support from ICA.

Conclusion

26. Inter-Cooperative Trade is in the interest of cooperatives and is the need of the day. If cooperatives have to go ahead and serve their members in the era of globalisation of economy they must have trust and faith in each other and develop international trade relationship and joint ventures on long term basis. But ultimately it is the will and keenness of the trading partners which would built the inter-cooperative relations and external support like that of ICA and others could be only as a catalytic agent and can facilitate but cannot push beyond a level.

Agricultural Cooperatives and the Draft Cooperative Law in Vietnam

The National Assembly of Vietnam is in process of considering a draft Cooperative Law. The draft law concerns all kinds of cooperatives, although more detailed provisions regarding particular forms of cooperatives, such as agricultural cooperatives or banking cooperatives, will be specified in future implementing decrees. The draft sets forth model by-laws for different kinds of cooperatives, but these will not be compulsory. According to the draft, cooperatives will be free to make their own by-laws within the framework of the principles set forth in the law.

Passage of the draft law will represent an important step towards establishing a sound legal basis for market-oriented economic growth in Vietnam. The new law will be especially important for Vietnamese farmers, who, after the end of the planned economy, need legal tools that allow them to participate in and benefit from the market, while at the same time providing them a way to buffer themselves from some of the market's more extreme features.

FAO and the Ministry of Agriculture and Food Industry (MAFI) of Vietnam are conducting a survey on the expectation of farmers regarding the new law. The survey is not yet complete. However, we can propose some scenarios about how the new law will affect agriculture in Vietnam.

Agricultural cooperatives have long had an important role in Vietnamese agriculture. However, it must be noted that the thousands of cooperatives that were central to Vietnamese agriculture during the planned economy period would not meet the definition of "cooperatives" used in most countries today. Before the recent economic reforms, cooperatives in Vietnam were largely administrative bodies created to run the collective system of agriculture, and were the government's chief instruments for implementing its agricultural policies. They were in essence, branches of the public administration, integrated into the planned economy under the rules

by Domenico Viti, FAO Legal Consultant.

of the five-year plans. Cooperatives were not based on voluntary membership. All farmers had to belong to cooperatives, and assemblies of their members served just to ratify decisions already taken by the government to implement the five-year plan. Cooperatives held the legal rights over the land, made the farming decisions, provided farmers with water and electricity, decided how to crop the land and bought all members' produce at fixed prices. Crops were chosen to meet the goals of the plan without any link to the law of the market.

Cooperatives also carried out government social policies. They helped members in difficult economic conditions, provided education for children and during the war helped the women while the men were fighting. Local communist party leaders were often chairpersons of agricultural cooperatives. In the last few years, the situation in agriculture has dramatically changed. Since the government has started to implement pro-market policies in the economy, there has been a sharp transformation of the social and economic environment in the agricultural sector. In this new environment, old bureaucratic cooperative, where farmers were just executors of decisions made by their leader, have become purposeless. These old-style cooperatives - building blocks of a planned economy, recipients of subsidies and channels for implementing social policies - have lost their central role in agricultural management. While their importance in the history of Vietnamese agriculture cannot be denied, most of the old cooperatives have not proved themselves ready to meet the challenges posed by a market economy.

With passage of the new land law, farmers have acquired individual legal rights over land, though not full ownership. They have become small entrepreneurs who can make their own business decision without depending on cooperatives. Consequently, many of the functions of old cooperatives have become obsolete. Some cooperatives have reacted to the changing economic environment by adapting their structure, introducing democratic structures with leadership elected by the assembly. Some of the more efficient old cooperatives continue to provide some basic services, such as supplying water to rice fields and supplying electricity. For the most part, however, old cooperatives have continued to exist only as administrative bodies, and no longer perform any meaningful function.

In general, farmers are suspicious of the old cooperatives and do not believe they should regain the power over agricultural management that they used to have, a feeling that is shared even by a number of administrators of old cooperatives. Farmers think that old cooperatives should have nothing to do with marketing. Furthermore, they are distrustful of suggestions that

farmers pool their produce, because there is still the impression that the pooling of produce is a disguised form of socialist agriculture, and not compatible with new individualistic attitudes to the marketing of agricultural goods. Many farmers see a role for cooperatives in the provision of some inputs, like water and electricity. But this view reduces the role of cooperative to the management of what economists call natural monopolistic markets. In other words, in the minds of most farmers, old cooperatives are still thought to be similar to public agencies.

The present financial situation of old cooperatives is precarious. They borrowed heavily from state-owned financial institutions and now they have no way to pay back their debts. Of course, because old cooperatives often no longer provide any services, former members do not pay fees as they used to. Even old cooperatives which still provide some services have problems in getting membership fees from their members. Virtually the entire cooperative system is bankrupt.

In short, after the end of the planned economy, old cooperatives have survived as legal entities, without economic aims. But intriguingly, while the shell of the old system remains in place, farmers have begun to create new cooperative structures, better adapted to meeting their modern needs. Indeed, in recent years, Vietnam has seen the birth of thousands of new cooperatives based on the mutual consent of the members and other democratic principles.

This phenomenon is taking place in a legal void; no legal framework for the creation of such organisations yet exists, and they are operating without any legal recognition, except in a few provinces. Because of the absence of a legal framework, the members of new cooperatives operate as private persons, and new cooperatives have no legal authority to do business with non-members. All business relationships created by new cooperatives are based on mutual trust and members that a new cooperative makes. The passage of a new cooperative law will, therefore, be a critical step in supporting the emergence of these new forms of cooperatives, with potentially great benefits for the economy.

To understand this potential impact, it is important to understand the changes that have occurred in the economic lives of ordinary farmers since the inception of a market economy. After passage of the Land Laws of 1988 and 1993, agriculture cooperatives are no longer in possession of the land. Land has been allocated to thousands of farmers, who even if they do not enjoy full ownership, have all management rights. The parcels allocated to

the farmers are generally very small, but in some areas of the country the productivity of land is high.

From a strictly planned economy, in which agricultural cooperatives made all agri-business decisions, the market for agricultural products is now without much regulation. The farmers are free to choose the crops they grow, the animals they rear, the suppliers of their inputs, and the buyers of their products. The only field still strictly controlled by the government is the export of agricultural products. Vietnam has also chosen not to subsidise family farms. This choice is based on a desire to break sharply with past planning models, and a recognition that agricultural subsidies increase the risk incurring heavy foreign debts.

Vietnamese farmers have proven themselves capable of taking advantage of the opportunities provided by the new market environment. At the same time, however, the operation of the market can create new hardships and challenges. Small farmers often lack the clout to bargain effectively with the traders who buy the agricultural products. They sometimes fall victim to speculators who profit at their expense. In Vietnam at the moment the buyers of agricultural products tend to be small traders; however,, it is possible to foresee the emergence of big traders who can create unbalanced situations.

In this context, the potential benefits of modern cooperatives are clear. They can reduce the cost of supplies and improve the capacity of small farmers to get better prices by the marketing of agricultural products, and thus play an important role in the development of Vietnamese agriculture. Old cooperatives, during the planned economy, had broad political, social and economic aims, but they were rigid and heavy. The modern cooperatives that will be nurtured under the new law can be more flexible, more suitable to the needs of small farmers, managed by people with good skills but unburdened by bureaucracy.

The family farm can find in the cooperative the complement to its economic activity. "New" cooperatives must not directly participate in the management of the farms. They can, however, become the legal tools through which farmers build stronger positions in a market-oriented economy.

Buying inputs and marketing agricultural products are the main services provided by agricultural cooperatives all over the world. The purchase of inputs is not currently considered a problem in Vietnam, because at the moment, farmers can buy fertilisers, pesticides and other inputs from state-

owned enterprises. This remains the last indirect economic aid that farmers get from the government. There is likely, however, to be a sharp increase in the state-owned enterprises that currently provide most inputs to agriculture. In this new legal situation, farmers may suffer increasingly from growing costs of doing business. Marketing of agricultural products could be the most important activity of the new cooperative. Cooperatives can help keep agricultural prices less volatile. If in the future unions of cooperatives are organised as well, the marketing of agricultural products will realise additional advantages.

The proposed law, if it is enacted, will provide a completely new legal framework for cooperatives, allowing the replacement of rigid administrative and bureaucratic bodies with flexible, democratic and efficient legal entities better able to serve the needs of independent farmers. Under the proposed act, farmers must decide by themselves whether or not to form a cooperative. No decision can be imposed on them to do so. The proposed law would replace the system of administrative acts and licenses that previously governed cooperatives, and render cooperatives, both new and old, independent from political decisions and subject only to law. The fact that for the first time Vietnam will elevate the regulation of cooperatives to the level of legislation, is in itself a very important acknowledgement of the important role of cooperatives in the economic and social life of Vietnam. The passage from a system based on administrative acts - with the attendant dangers of arbitrary action and discrimination - to a rule of law based on legislation, is a great achievement in itself.

One potential difficulty that lies ahead concerns the treatment of "old" cooperatives that continue to exist. Old cooperatives have not been dissolved, and are not going to be under the new law, since policy-makers think dissolution of old cooperatives should be a natural process, not imposed by law. The proposed law will nevertheless help this natural process along. Old cooperatives will now face competition from cooperatives created according to new principles. Farmers will be able to choose to participate in new cooperatives, and old cooperatives which do not find a function will lose members, with the danger of becoming empty boxes. Old cooperatives which hope to keep operating will in any event need to meet the requirements of the new law in order to retain their legal status.

It should be noted, however, that in draft 11, Article 50, the absence of provision in the new law regarding the dissolution of old cooperatives could still pose legal problems. From a strictly legal point of view there is a risk for a long period of a double standard in implementing the new law, one for old

cooperatives and one for new. Draft 11 imposes registration to all cooperatives but the adaptation of old cooperatives to the new legal framework has been left, to administrative acts like ministerial decrees. Given the absence of clear legal provisions concerning the status of old cooperatives, the transitional period may be difficult, because bureaucratic administrators of old cooperatives are likely to slow their transformation into new pro-market oriented cooperatives. This could be particularly dangerous for agriculture, where the presence of old cooperatives is pervasive.

The Ministry of Agriculture and Food Industry (MAFI) is preparing a decree concerning old agricultural cooperatives. The decree will set forth requirements that old cooperatives must meet to survive. According to the decree, old cooperatives must operate in such fields as extension, power and water supply, aid to members in need of education, and the development of alternative sources of income like handicraft. MAFI has indicated that it does not want to dissolve old cooperatives. Instead, it wants to furnish new purposes to old cooperatives which have lost all or part of their role in agriculture.

The MAFI decree involves only agricultural cooperatives which depend on its administrative acts. The decree will be an independent act from the new cooperatives law. It has emerged from the perceived necessity to give some order even before the law to old agricultural cooperatives, which have in recent years is suffered both legal and political neglect. Hopefully this attempt of MAFI to give new meaning to old cooperatives will be successful. In fact, old cooperatives might still provide a useful tool for promoting cooperation among farmers in the specialised areas of activity described in the MAFI decree.

The draft Cooperative Law will be debated by National Assembly in 1995, and may be adopted in 1996. Although not without flaws, the text of the draft law as it currently stands must certainly be considered a valuable document. The drafters have demonstrated a broad knowledge of the experiences of other countries, but they have also understood clearly that each country has its own peculiarities. The draft Cooperative Law respects the requirements accepted in most countries of the world regarding cooperatives. Cooperatives will be based on voluntary membership, their policies will be decided by members through elected cooperative bodies, and cooperative registration will be governed by the rule of law. But the new Law should stress clearer that people's committees must have limited power regarding registration and that they should act almost.

Efforts to promote cooperatives in Vietnam - even the very difference, market-oriented cooperatives that are envisioned under the draw law will need to deal with the fact that most farmers still think of cooperatives as having the characteristics they had under the old system. Cooperatives will struggle to find their role in agriculture more than in other economic sectors. The memory of how old cooperatives operated is still too deep, and cannot be erased with passage of a new law. Even in the provinces where new cooperatives have been created, farmers still are afraid to become involved in any kind of organised market.

The new law, therefore, can be only one part of the Government's strategy to promote cooperation among farmers. If the new law is not coupled with a serious policy of education about the potential values of cooperatives, they are unlikely to be widely accepted by farmers in the short-term. The farmers must understand the basic of "new" cooperatives. They must understand that cooperatives are no longer instruments of policies over which they have no control, but that they are legal tools to promote their own entrepreneurial capacity.

The fact that the lots allocated to farmers are very small, often around 2,500 square meter, does not mean that farms cannot become efficient enterprises. But farms can reach this goal only by collaborating on the facilities that each farm cannot afford by itself - the warehouses, stables, extension services, etc. Cooperatives are an important technique for allowing farmers to increase the value of their farms while keeping control over farm management. They can help overcome the disadvantages of smallness, while leaving farmers lords of their business.

Cooperatives in many countries have strengthened the desire of the people to collaborate to achieve better economic conditions, and have often been a way to promote democracy in the economic sector. History shows that the countries which have elaborated a high capacity to promote healthy cooperatives are those with more balanced economies, without the excesses of either the planned market or unbridled capitalism.

In a few years, Vietnam can become a major protagonist in the economic life of East Asia. The cooperatives, if based on solid legal rules, can plan major role in the economic life of Vietnam especially in agriculture. The emergence of new cooperatives can also be an important demonstration that a market-oriented economy need not and should not forget the value of solidarity and self-improvement.

Annexures

Programme

- 15th May**
- Arrival of participants in Hanoi
 - Reception hosted by VICOOPSME President
- 16th May**
- 0900-1000 *Inaugural function :*
- Welcome Address by Mr. Hoang Minh Thang, President, VICOOPSME.
 - Address by Mr. Lai Van Cu, Vice Chairman of Government Office.
 - Address by Mr. G.K. Sharma, Regional Director, ICA ROAP.
 - Address by Mr. Jurgen von Muralt, Director, ILO Geneva.
- 1000-1030 Tea break
- Presentation of papers:*
- 1030-1115 Presentation on current situation of cooperatives and transformation of cooperatives to market economy in Vietnam by Mrs. Nguyen Thi Nghia, Vice President, VICOOPSME.
- 1130-1400 Lunch break
- 1400-1445 Strategy for Development of Cooperatives by Dr. Nguyen Ngoc Le, Vice President, VICOOPSME.
- 1445-1530 Government policy for cooperative development including cooperative legislation by Mr. Nguyen Van Yen, Senior Officer of Vietnam Government Office.
- 1530-1545 Tea break
- 1545-1630 ILO Recommendation 127 and its relevance to cooperatives in Vietnam by Mr. E. Mogensen, Senior Specialist in Coop Development, ILO.

1630-1700 Strategy for development of insurance cooperatives in Vietnam by Mr. H. Okamura, ICMIF Regional Insurance Advisor.

17th May

0900-0940 ICA ROAP HRD development policy by Mr. W.U. Herath, HRD Advisor, ICA ROAP.

0940-1010 Role of women in cooperative development in Vietnam by Ms. Pham Thij Loan, Vietnam Women Union.

1010-1040 International Trade and Cooperatives by Mr. G.K. Sharma, Regional Director, ICA ROAP.

1040-1100 Tea break

1100-1130 Introduction to Laos by Mr. C. Simahano.

1130-1400 Lunch break

1400-1420 Introduction to Cambodia by Mr. Nuth Sakhan.

1420-1440 Presentation of CCA (Drs. Robby Tulus).

1440-1500 Presentation of CCD (Mr. Jens Sorensen).

1500-1515 Presentation of DID (Mr. Andre Hotte).

1515-1530 Presentation of JCCU (Ms. Akiko Yamauchi).

1530-1545 Tea break

1545-1600 Presentation of SCC (Mr. Malte Jonsson).

1600-1700 *General discussion on :*

- i. Identification of needs for cooperative development in Vietnam.
- ii. Strategy for implementation of cooperative development activities.

18th May

0900-0945 Cooperative Legislation Reform and its implications on Agricultural Cooperatives in Vietnam by Mr. Domenico Viti, FAO.

0945-1030	General discussion (contd.)
1030-1045	Tea break
1045-1130	General discussion (contd.)
1130-1400	Lunch break
1400-1500	Drafting of Conclusions & Recommendations
1500-1700	- Presentation of Conclusions and Recommendations and general discussions. - Closing of the workshop.
1730-2030	Farewell dinner hosted by VICOOPSME.
19th May	
0900-1030	Visit to Ho Chi Minh Mausoleum and his working and living places.
1030-1130	Visit to a garment cooperative (Tien Bo) in Hanoi and a joint venture company for garment accessories (Sven Vietnam).
1130-1400	Lunch break
1400-1700	Free for shopping
1900-2100	Cultural show
20th May	Departure of participants.

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27. Mr. Nguyen An Gia
High Ranking Officer of Construction
28. Mr. Le Chi Thanh
Dy. Director of Organisations Department
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29. Mr. Hoang Tho Xuan
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30. Mr. Nguyen Van Diem
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31. Mr. Pham The Vinh
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Specialist, Ministry of Home Affairs
39. Mr. Nguyen Tien Son
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40. Mr. Nguyen Ngoc Chau
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42. Mr. Tran Dinh Song
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45. Mr. Tran Cong Nhan
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61. Mr. Dinh Xuan Niem
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