

**STRENGTHENING PARTNERSHIPS
BETWEEN
CO-OPERATIVES IN ASIA AND CANADA**

A STATUS PAPER

Prepared by



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Regional Office for Asia and the Pacific
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STATUS REPORT

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01. PROFILE OF THE CO-OPERATIVE SECTOR IN ASIA

Asia, with more than 50% of the world population, is characterised by highly diverse geographic, ethnic, religious, social and economic conditions. With the exception of Japan and oil rich countries of West Asia, economies of the most of the countries in the continent are agrarian with small land holdings and low technology absorption capacity, notwithstanding a steady increase in their economic growth rate particularly after 1990. This diversity has been one of the most important factors in mapping out the course of progress of co-operatives, the other one being the perception of colonial rulers of the region.

Origin & Development of Co-operatives in Asia

Co-operative development found its roots in the early 19th century. The initiative came from the then colonial rulers, who attempted to adapt European Co-operative with native conditions, e.g. the Raiffeisen & Schulze models of Germany for rural and urban credit co-ops respectively, and the Rochdale model for consumer co-ops.

Historically speaking, co-operation as an economic system emerged in the continent as early as 1820 when attempts were made to organise co-operatives for convicts based on Robert Owens concept in the Hunter Valley of Australia. Another important historical land mark was in 1860 when the adoption of the Rochdale system in Australia led to subsequent growth of a number of consumer stores.

In other parts of Asia co-operation came later. In this context the history of co-operatives in Japan and India became very significant. The growth and development of co-ops in these two countries have by and large influenced co-operative movements of other countries in this region.

The Japanese society and economy were based on feudalistic lines with a high degree of socio-economic stratification and class distinction before the Meiji Rule. It started to transform itself with the introduction of money economy in 1873. In 1878 a few dedicated aristocrats and traders tried to organise co-ops but to no avail.

With greater industrialisation at the end of the century, trade unions began to organise co-operatives, and started to open consumer stores. However, the Japanese Government suppressed their efforts. Thereafter the middle class took the initiative to organise co-operatives with non-political motivation.

But the real impetus to co-operative development, particularly in the field of consumer's co-ops, came with Kagawa's commitment and dedication to support co-ops to combat poverty followed by Nasu Zenji's concept of "Kateikai (a fore runner of the modern 'Han')". In 1922 consumer co-ops set up their own federation which subsequently grew to become the Japanese Consumers Co-operative Union (JCCU).

Another important milestone for co-operative development was the growth of agricultural co-ops following the enactment of Agricultural co-operative Law in 1900 which recognised five types of agricultural co-ops, namely credit, marketing, purchasing and production and service co-ops. In 1909 the law was amended to facilitate the formation of Central Union of Agricultural Co-operatives. The state also extended its effective support to such co-operatives for creating infra-structural facilities and expansion. During the period of Depression in the 1930's, the Central Union of Agricultural Co-operatives formulated a long term strategy to transform village level co-operatives into multipurpose co-operatives to meet the diverse social and economic needs of rural people. These multipurpose co-operatives beckoned the development of future pattern of rural co-ops in Asia. At secondary and national levels specialised federations came up to provide support to village multipurpose co-operatives. After second world war agricultural co-operatives got a big boost with the passage of Agricultural Co-operative Law of 1949. The co-operatives were recognised as an instrument of agrarian reforms and multi-dimensional agricultural development.

India is another country which became the pace-setter of co-operative development in a number of countries of Asian and African regions. Although co-operation is inherent in its societal ethos, formal beginnings in co-operative development were made during the British period. Initially co-operatives were conceived on the basis of Raiffeisen model of Germany to save farmers from the clutches of money lenders and a specific co-operative law known as Co-operative Credit Societies Act of 1904 was enacted. However, prior to this law as early as 1897, an Urban Co-operative bank in one of the princely states of Gujrat had already come up. In other regions of Indian subcontinent, too, indigenous co-operatives in rural areas were also active. Subsequently with the enactment of co-operative law of 1912 development of other types of co-operatives was facilitated leading to a multi-directional diversification by establishing consumers, artisans, marketing, purchasing co-ops etc. Following the constitutional reforms in 1919 the co-operation became a provincial subject and provincial Governments were empowered to enact co-operative law. The first provincial co-operative law was Bombay Co-operative Societies Act of 1925, based on which other provinces also enacted their co-operative law.

1935 saw another landmark year in the history of Indian co-ops. The establishment of the Reserve Bank of India (Central Bank of the country), with a specific Agricultural Credit Department, allowed the Bank to provide concessional financing to the co-operative credit and banking system. This in turn gave the real impetus to co-operative development. By this time other types of co-operatives such as consumer co-ops, worker's co-ops, urban credit co-ops etc. had also emerged.

At the time of Independence, India had a fairly diversified co-operative sector. Recognition of co-operatives as an instrument of economic development by the state led to their further expansion and diversification during the post-independence period. Other countries (British Colonies) of the region also adopted Indian pattern of co-operative development and law - Pakistan and Bangladesh (1904), Sri Lanka (1911), Malaysia (1922), Singapore (1925).

In China co-operation as an economic system was introduced in 1919 with credit co-operatives. The sector further diversified with the growth of multipurpose co-operatives in 1920's, workers co-ops and consumer co-ops in 1930's. During the period of Sun Yat Sen, industrial co-operatives (workers and artisan's co-ops) acquired prominence as an institutional frame-work to generate employment for the poor.

In other countries of the region, in spite of existence of native/indigenous forms of co-ops for centuries, co-operation as an economic system emerged in latter part of the century. In Korea co-ops got impetus with the establishment of National Agricultural co-operative Federation (NACF) in 1958, which took over activities of erstwhile financial associations. At base level four types of co-operatives viz. general agricultural co-operatives, horticultural co-operative, live stock co-ops and special crop co-ops emerged. Another significant trend in co-operative development was establishment of a nation wide multipurpose co-operative system by merging agricultural co-ops and agriculture banks in 1961. Entire system was integrated with NACF, through a three tier organisational structure comprising with primaries at village level, secondary co-ops at county level and NACF at national level. In 1980's the secondary level co-ops were abolished to add greater cohesion within the structure.

Indonesian co-operative movement dated back to 1896 when first credit co-operative in Java was set up. Later in 1908 Budi Utmo movement catalysed the expansion of co-operative movement. The first co-operative law was introduced in 1915 based on Dutch model. Subsequently this was repealed by law of 1927 which was based on British-Indian co-operative law. With the attainment of Independence in 1945, a new constitution, which recognised co-operatives as an important instrument of co-operative development, was promulgated. With the enactment of a new co-operative law in 1958 the state adopted an interventionist policy for co-operative development, as a result of which, co-operatives drifted from their members. With the change of the Government in 1966 new law on Basic Principles of co-operation to de-officialise the movement was passed. However, results were not encouraging, to say the least.

The year 1978 with the start of KUD (Village Unit co-op) witnessed a major co-operative policy reform in Indonesia, giving birth to two types of co-operative pattern have emerged i.e. (a) traditional type (people based co-ops); and (b) KUD (Government sponsored co-ops).

To sum up, most of the countries of Asia and the Pacific region have witnessed a similar pattern of historical evolution from traditional people sponsored to state directed and controlled co-ops and recently to member driven co-ops. The process of establishment of member based and member-controlled co-operatives has been accentuated with the introduction of economic reforms to strengthen market economies. The national Governments, therefore, have initiated policy reforms for creating conducive environment for co-operative development, particularly by introducing a responsive legal reforms to empower co-ops to break their dependency on the Government.

Present Status

Over the years tremendous growth and diversification of co-operatives in Asia has enabled them to achieve a place of importance in national economies, particularly in the areas of agricultural and rural development. In following paras an overall view of co-operative growth and development in a few countries of the region has been presented.

Bangladesh

Bangladesh is one of the low income group countries. 90% of its people in its 68,000 villages are dependent on agriculture, the main provider of employment. However, of late, non-agriculture sector is also emerging.

Co-operation in Bangladesh followed British-India model. Starting as a rural credit movement, it diversified into other areas such dairy, fishery, insurance etc. The following table gives an overall view of co-ops.

<u>Types of co-ops</u>	<u>Total</u>	<u>of which belonging to Agricultural sector</u>
National Federation	21	9
Secondary level Feds.	1075	720
Primaries	122066	108,895
Members	6.8 millions	5.9 million

The above figures show that the co-operative sector of Bangladesh, principally, is an agriculture-oriented economic system. In non-agriculture sector important types of co-ops are weavers, women, fishery, dairy consumers, housing and transport co-ops.

In rural areas two types of co-ops exist namely traditional co-operatives without any government support and Comilla model co-ops consisting of farmers co-ops, women co-ops, landless workers co-ops. The comilla model co-ops form Thana a level Central Co-operative Associations. The Government and Bangladesh Rural Development Board provide a variety of support to such co-ops. Bangladesh Jatiya Sambaya Union (BJSU) is the national apex of all co-operatives.

According to available data these co-operatives have provided employment to 0.19 million people. However, information about indirect employment in terms of improvement in members' productivity and capacities is not available.

China

Supply and Marketing co-ops constitute the main segment of Chinese co-operative sector. It has a net work of 32,000 primaries, 2300 county level federations and 30 provincial, regional and municipal federations. All China Federation of Supply and Marketing Co-operatives is the apex of entire sector.

The system reflects a very high degree of diversification and volume of business. It has one million co-op service networks supported by 45,000 commodity production bases, and 30,000 export oriented agro product processing facilities. The total membership encompassed by supply and marketing co-operatives is 180 million house holds. These co-operatives have built assets worth 75 billion yuan. The total annual turnover is 1230 billion yuan.

Indonesia

Number of Indonesian co-operatives has increased to 47,175 with a membership of 26.4 million as against 19,795 co-ops with a membership of 2.9 millions in 1973. Indonesian Co-operatives may be divided into two categories - (a) Co-operative village units (KUDs); and (b) Co-operative non-KUD. The number of KUDS stands at 9,269 of which 4,934 are self-reliant. Similarly their business turnover has also shown an increase by leaps from 6.2 billion rupiah in 1973 to 11.2 trillion rupiah in 1996-97. The KUD's are servicing nearly 30% of national population and 50% of Indonesian rural population. The higher level co-op organisations (federations) include 544 secondary level, 52 provincial level and 20 national level apex federations. Important business activities of KUDS are distribution of agricultural inputs, marketing and processing of agricultural produce. Nearly 90% KUDS are also involved in procurement of rice on behalf of the Government. Besides, they support allied activities such as sugarcane and clove production, fisheries, dairy, and plantation.

The dairy co-operatives are also very prominent in KUD segment of co-ops to provide benefits of value addition to dairy farmers. The GKSI (Dairy Union) functions as the

main co-ordinating agency for procurement and processing of milk of its member co-operatives.

The non-KUD segment of Indonesian co-operative movement includes co-ops in the sphere of thrift and credit, co-operatives of salary earners and industrial workers, professionals and traders. Such co-operatives are self reliant in their resources and business activities with the principal objective of improving the quality of life of the people.

DEKOPIN (Dewan Kooperasi of Indonesia) is the national apex of all types of co-operatives, since all the sectoral federations are affiliated to it. The recent KEPPRES (Presidential Decree) no. 21, enacted in late 1997, has restructured DEKOPIN to represent only national federations with no regional representation.

There has been growing awareness among co-operatives in regard to importance of involvement of women in their activities, although programs for women empowerment and gender mainstreaming remain weak and inadequate. There are nearly 800 women co-operatives with a membership of 277,521. The women co-ops have also established their tertiary level co-operative organisation known Induk Koperasi Wanita (INKOPWAN) and 3 secondary level women co-operatives (Pusat Koperasi Wanita). At the DEKOPIN level they have the BKWK.

Women also constitute a respectable segment within the KUD's membership (20.77% women members & 79.23% male members). 23.02% of staff members of KUD's are women. However, percentage of women membership of Board of management of KUD's is still very low, representing only 1.61%.

India

Starting with a limited spectrum of dispensation of credit to the agriculturists, Indian co-operatives sector had achieved a big boost with the sponsorship and support of the Government after Independence. The policy of the Govt. to accept co-operatives as instrumentality for economic development and therefore, to extend deliberate support to them resulted into tremendous growth expansion and diversification of their business. At present with its 452,657 societies with a membership of more than 200 millions and working capital of Rs.1,574.771 billions, Indian co-operative sector stands as one of largest co-operative movements in the world. The co-operatives have covered 99% of villages and 67 % of rural house holds. Their total assets and deposits amount to Rs.1321.246 billions and Rs.600 billions respectively.

The organisational structure of co-operatives is federal comprising with 21 national level, 361 state level and 2741 district level federations. The National Co-operative Union of India (NCUI) is the apex of all co-operatives, as all types of co-operatives are represented on the membership and management of NCUI.

Principal segments of Indian Co-operatives are agricultural co-ops including credit and banking, marketing, processing, warehousing, fertiliser production co-ops, dairy co-ops, etc. Urban credit (non-agricultural credit) consisting of Urban Co-operative Banks and Thrift & credit societies, consumer co-ops, handloom weavers and artisans co-ops. The co-operative movement has also entered into social sector such as housing, labour contracting, hospital and medi-care, environment protection, welfare of youth and women etc. In a number of areas of national economy etc are having a commanding share.

The following table shows the share of co-operatives in national economy.

<u>Item/Area</u>	<u>Share of co-ops (in %)</u>
1. Disbursement of rural credit	60
2. Fertiliser production	18.64
3. Fertiliser marketing	30
4. Sugar production	58
5. Wheat Procurement	20
6. Retail Fair Price Shops	20
7. Milk Marketing/procurement to total marketable surplus	18
8. Marketing of edible oil (branded)	50
9. Marketing of Cotton	73
10. Coverage of handlooms	55
11. Rural Storage & godowns	62

It is estimated that co-operative sector has generated employment for 12.5 million people.

Philippines

In Philippines specific direction to co-operative development was given with the implementation of section 15, Article XII of 1987 Constitution which mentioned promotion and development of co-operatives as a part of state policy. With the enactment of RA 6938 (Co-operative Code of Philippine laying down the principles practices of organisation and management of co-operatives) and RA 6939 to create Co-operative Development Authority, member based co-operatives received good impetus for their growth. Under this new dispensation 41,033 new co-ops have been registered.

Most of such co-operatives are multipurpose in nature. Besides co-operatives have also emerged in the areas of power and water supplies, medical and health care, insurance transport etc.

The organisational structure of co-operatives is federal having federations at regional, provincial and national level. There are two apexes of co-operatives - CUP (Co-

operative Union of the Philippines) and NATCCO. While CUP is an umbrella organisation, NATCCO is the apex of member- based credit unions and other co-ops.

The majority of multipurpose co-operative societies is engaged in providing inputs and support services in farming, fishing and other agriculture-related businesses.

The focus of these activities is on increasing income and purchasing power of the primary co-operative members.

Sri Lanka

In Sri Lanka co-operative movement started with the promulgation of co-operative credit societies ordinance of 1911 which visualised establishment of rural credit societies for supporting agriculture. Over the years, the Sri Lankan co-operative movement diversified; and two types of co-operatives have emerged in Sri Lanka - Multi Purposed Co-operative Societies and Thrift and Credit Co-operative Societies (also known as SANASA credit societies. In addition, producers' societies are also gaining prominence in rural sector. Establishment of All Island Co-operative Federation, which subsequently was re-organised into National Co-operative Council, in 1955 was a very important land mark in the co-operative history of Sri Lanka, as this paved the way for establishment of an apex organisation for the entire co-operative movement. The SANASA Movement, known for its bottom-up approaches in the thrift sector, has more recently diversified into various other business schemes to service its members. The latter are more independent from the Co-operative Development Department of the Sri Lanka Government.

An important segment of the Sri Lankan co-operative sector consists of multi- purpose co-operative societies involved in providing credit, inputs and undertaking marketing and purchase of agricultural produce. In 1971 these societies were reorganised into Large Size Multi-Purpose Co-operative Societies so as to strengthen their sustainability in the market.

Till 1977 the multi-purpose co-operative societies had virtual monopoly in paddy procurement as agent on behalf of Paddy Marketing Board. However, with the opening of the economy these societies face a great deal of competition from private traders. Some of the societies have also established medium scale rice mills. Besides, multi-purpose co-operative societies, commodities based producers co-operatives are also working in Sri Lanka. Important of these are in the field of vegetable production, rubber and coconut plantation and floriculture.

The following table gives a bird's eye view of different types of co-operative societies working in Sri Lanka

<u>Type of the Societies</u>	<u>Numbers</u>	<u>Members (thousands)</u>
Multi-Purpose Co-op. Societies	300	29.16
Credit & Thrift (SANASA)	8,035	787
Tea, rubber & coconut	109	13.5

Market Producers	265	58.2
Animal Husbandry	37	5.4
Other Agriculture Co-ops	218	21.7
Textiles	25	31.6
Fisheries	740	69
Small Industries	241	39
School	1,345	267
Hospital	5	14.9
Labour	23	5.9
District Youth Services	17	438

Vietnam

After unification of the country in 1976, Government of Vietnam has paid greater attention to the development of co-operatives particularly for agricultural development purposes. Under renovation policy of the ruling party, rationalisation of co-operatives and production groups has been undertaken. The co-operatives have been classified into three categories - (a) effectively renovated co-operatives which provide essential services to improve the household economy of the members; (b) the co-operatives which undertakes only limited activities; and (c) inefficient co-operatives.

With a view to implement the renovation programme (Doi Moi) for co-operative development a new co-operative law was enacted in 1996. At present Vietnam is busily preparing to recruit efficient managerial personnel to manage co-operatives and co-ordinate the co-operative development activities.

Vietnam Co-operative Union was established with the support of ICA and WASME (World Association of Small & Medium Enterprises). The membership of the Union is not only open to co-operatives but also to small and medium enterprise in the fields of handicrafts, transportation, consultation, trade and services etc. As per statistics available the total number of co-operatives in Vietnam is 20,250 for all sectors; of which 16,243 are agricultural co-operatives.

There are also instances where co-operatives are being converted into joint stock companies. The total membership of agricultural co-operatives is 1,370,300. Important activities of agricultural co-operatives include support services for coffee, tea, and sugar production.

Thailand

The co-operative movement in Thailand was launched over 70 years ago through Government initiative and support. There are more than 5,000 co-operatives with a membership of 6.1 million and assets of 2.8 million baht. Nearly 10% of the societies are in loss. The following table shows the co-operative situation at macro level as on 31st January 1998.

<u>Type of the Society</u>	<u>Number</u>	<u>Membership</u>
Agricultural	3,215	3,472,923
Land Settlement	100	111,651
Fishery	67	9,537
Consumer	419	528,087
Thrift & Credit	1,227	1,915,281
Service	367	96,523

Total	5,395	6,134,002

There are 10 federations at the national level, namely the Thrift and Credit Co-operatives Federation, the Consumer Co-ops Federation, the Credit Union League of Thailand, the Service Co-ops Federation, the Dairy Co-ops Federation, the Military Co-ops Federation, the Swine Raising Co-op Federation, the Sugar Cane Growers Federation, the Vocational Schools consumer Co-op Federation and the Onion Growers Co-op Federation. Each Federation has a membership of primary co-operatives and provincial level co-operative federations. All these federations are affiliated to the Co-operative League of Thailand (CLT) which was established in 1968 as a national apex organisation of the co-operative movement.

In conclusion, it may be said that in Asia and the Pacific Region three types of co-operative development system are prevalent - (a) State-supported system (Japan); (b) State-subsidized system in all the former British Colonies, Korea, & Vietnam; and (c) member-initiated and sponsored system which exist in all countries of the region. However, the size and scope of operations of the latter being small, they have not succeeded in creating a significant impact in the market. In spite of this limitation, the member-initiated co-operatives have intrinsic strength to sustain in a competitive market on account of the commitment and unity of their membership.

02. THE CONTRIBUTION OF CO-OPERATIVES IN ECONOMIC DEVELOPMENT

In order to gain an objective assessment of the contribution of co-operatives in economic development in Asian Region, it is necessary to know the relative positioning of co-operatives at different phases of economic history. These are : (a) The Feudal Order which never encouraged the establishment of co-operatives; (b) The Benevolent Monarchy where the Ruler supported co-operatives at the base level; (c) The Socialist/Centrally Planned Economic States that treated co-operatives either as instruments of the State or as an integral part of the socialist economy; and (d) The Free Economy preferring co-operatives as member based and community oriented competitive economies without any intervention from state. During the latter phase, greater emphasis is placed on the co-operatives as business enterprise. It is only after commencement of economic reform process, the business content and competitive strength of co-operatives is coming under sharp focus. Yet in a majority of countries, the order of preference/ prioritization to define the perceived role of co-operatives are as follows: (1) agriculture and rural development; (2) poverty alleviation including employment generation; (3) consumer protection; and (4) social sector development. Even during transition period, most of the Asian countries are emphasizing on the role of co-operatives in agriculture and rural development - the reason being the predominance of agriculture and rural economy in the overall national economy and commitment of the Governments to achieve self-sufficiency in agriculture particularly in food.

Most of the countries have adopted mixed economy having public, private and co-operative sectors. The co-operatives have been used as an instrumentality of the state and role of co-operative development has been subsumed under broad national objectives leading to alienation of the members from their co-operatives.

Another important determinant of the role of co-operatives has been the commitment of the national governments to provide the common man with basic minimum needs by encouraging peoples participation in various developmental programs and thereby justifying their support to co-operatives. In this context, not only specific government sponsored schemes have been offered, but also the creation of a number of parastatal organisations to support co-operatives. Example, may be cited that of National Co-operative Development Corporation (NCDC); National Dairy Development Board (NDDB); National Bank for Agriculture and Rural Development (NABARD) in India; Bangladesh Rural Development Board (BRDB) in Bangladesh; People's Bank in Sri Lanka; National Co-operative Development Board in Nepal; Land Bank in the Philippines; Bank for Agriculture and Co-operatives in Thailand; and the Bank Rakyat Indonesia (BRI) etc. etc.

Specific Role of Co-operatives

Co-operatives have been playing a very significant role in all the sub-systems of agriculture and rural development and social sector by providing services to their members and Government in the field of supply, production, marketing, financing and management of economic activities. The important aspects are as follows:

Building Infrastructure and Delivering Products and Services:

Co-operatives have built up two types of infrastructure: Institutional and operational. Institutional infrastructure refers to creation of workable institutional set up compatible with the social ethos and developmental needs. The federal structure of co-ops consisting of primary, secondary, provincial, regional and national level co-operative organisations has facilitated the linking of primary producers with the tertiary level of the economy and thus taking him out of subsistence economy to a viable and self managed entrepreneurial system. The economies of the scale which is achieved through inter-co-operation of the entire organisational structure creates opportunities for small producer to increase their bargaining position, hence opening up a wide competitive market for their produce.

In the entire institutional infrastructure developed by co-operatives, the primary producers (members) are owners, managers and beneficiaries at the same time. This concept is remotely possible in public or private sector enterprises.

Operational infrastructure includes the activity frame of co-ops to facilitate the improvement in production capacity of the primary members. Virtually all the countries in the region have paid attention towards this. For example, in China, Supply and Marketing Co-operatives have created a complete supply and service system for meeting the needs of farmers which include operational system for purchase, stock, delivery, supply; and soil conservation, identification, rational fertilization and scientific application of pesticides. These co-operatives have also set up crop clinics, consulting service centres and village service stations.

The Multi purpose Co-operative Societies of Japan have acquired great acclaim throughout the world for creating infrastructure which brings about synergy between the production, marketing and social needs of the farmers. The multi purpose co-operative societies of Japan has been active in providing comprehensive service portfolios to members. They are, among others, the provision of farm guidance (in the preparation of farm management plan by members); the creation of adequate facilities (for its implementation and securing the use of such facilities), the creation of necessary facilities for grading and standardization of products, processing, packaging, market intelligence, logistic arrangements for shipment of the members' produce to better paying market. Besides, they also help in the preparation of budget and supply of consumer goods to their members. They provide services regarding education, health, insurance, Medicare, marriage and accident support.

With a view to strengthen the risk-bearing capacity of co-operative members in Japan, specific institutions to provide insurance coverage have been created.

For example - ZENKYOREN for agricultural co-operatives; ZENGYOREN for fisheries co-operatives; ZENROSAI for workers co-operatives. Consumer co-operatives of Japan have created a wide net-work of mini stores, super markets, and super-super market,. However, the majority of the consumer stores are mini-stores and handle exclusively co-op-brand food items. The JCCU is the national level federation of Japanese Consumer Co-operatives undertaking a number of supportive activities for its member organisations such as development and supply of co-op brand products, mutual insurance, travel agency and publishing, HRD for members and staff.

It has also set up three subsidiary companies namely Crop Trade Japan Ltd. to promote international trade; Co-op Clean Company Ltd. for developing control system to protect environment and National School Supply Company Ltd. to supply requirements of school for the benefit of the co-operative members. 116 medical co-ops. set up by JCCU provide Medicare to co-op. members at a very reasonable price.

In Korea, the infra-structural facilities have been created to increase the agricultural production and to enhance economic and social status of farmers. The NACF of Korea provides banking and insurance support to its member co-operatives. There is a country-wide on-line institutional linkage between all primary co-operatives and the NACF. In order to enable member farmers of co-operative to gain the benefit of better prices in the market, NACF has been instrumental in providing market support. This is done through the establishment of shipment groups in production areas and marketing centers; of super markets in consumer areas; of farming groups to enable the members to use the common facilities of grading, packaging, quality control and transportation of their products. Apart from agriculture, other co-ops. e.g live-stock co-operatives; co-operative credit unions, fishery co-operatives and forestry co-operatives have also played an important role to create infrastructure for providing support services such as education, purchase, sale, processing, financing, insurance and banking to help farmers to improve their productivity.

Responsive infrastructure and effective co-operative delivery of products and services, over the years, have been instrumental for self-sufficiency in food grains in India. Indian co-operatives have built up a strong infrastructure from village to national level. A wide net-work of agricultural co-operatives and credit unions and urban co-operative banks, consumer co-operatives, industrial and artisans co-operatives provides composite services to the members in the field of credit and banking, marketing and processing, human resource development etc. The Government have extended support to co-operatives in creating facilities like rural storage facilities, ware-houses at marketing centers, and provision of technological and management guidance. Every primary agricultural market has now been covered by a marketing co-operatives. To boost up agricultural productivity, co-operatives have extended financial support to farmers for soil conservation, consolidation of land holdings and creation of minor irrigation facilities.

The credit unions and urban co-operative banks which are totally self reliant institutions provide credit and banking facilities to the people in urban areas particularly middle class and small entrepreneurs to meet their production, consumption and social needs. The co-operatives have also linked village economy with the main currency and tertiary markets through state co-operative banks which are located in all the provincial capitals.

Another important area of significant role of co-operatives is the establishment of very large size integrated co-operative structures to produce the agricultural inputs to be distributed through co-operative net-work. Mention may be made of Indian

Farmers and Fertilizer Co-operative and Krishak Bharati Co-operative in India which produce nearly 19% of total fertilizer production in the country. The Handloom Weavers Co-operatives have set up Petrofils Co-operatives Ltd. to produce synthetic yarn for their use. The National Heavy Engineering Co-operatives Ltd. set up by Co-operative Sugar Factories to produce sugar machinery is yet another example of infrastructure created, owned and controlled by the member co-operatives. Role of Indian sugar co-operatives not only in acquiring commanding position in sugar production but also in creating socio-cultural infrastructure in the shape of schools, colleges, roads, and cultural organisations is yet another shining example of integration of economic and social aspect to improve quality of life in the people. Such integrated co-operative structures have emerged notably in Japan and Korea.

The Indian Consumer Co-operative sector consisting of 25000 Primary Consumer Stores; 573 District Level Stores; 28 Provincial Federations; and National Consumer Co-operative Federation have played a very important role in the field of consumer protection. These co-operatives have set up big supper markets and departmental stores in metropolitan cities to keep a tab on price line. The public distribution schemes of Govt. of India is adequately supplemented by consumer co-operatives through a network of nearly 100,000 Co-op. Retail outlets from village to city level. Industrial and artisan co-operatives are supporting their members through creation of common facility workshops, marketing outlets and technical guidance.

In other SAARC countries also the co-operatives have been playing more or less similar role in the economic development but not on such a large scale. In Sri Lanka SANASA movement has been instrumental in not only increasing banking facilities in the rural areas but also providing a rural postal communication system.

Management Capacity and Innovation:

Co-operatives have been recognized as educational institution to build up management and entrepreneurial capabilities in their members and board of directors. Apart from working as member responsive business enterprise, they have to compete in the open market. This makes nature of management in co-operatives very unique and calls for dynamic and innovative steps. The co-operative managers and the beneficiaries, therefore, have to have a different perception. Edger Parnell , the former Director of Plunket Foundation explains the nature of co-operative model of business as follows:

"that any specific form of organisation is neither "good or bad". It is only the people within the organisation which determine the contribution which it makes to the life of those with which it deals (members)".

The members, elected board members and professional managers are three important key elements which determine the management capacity and innovation in a co-operative enterprise. In Asia - Japan being exception - majority of co-operatives have grown under state sponsorship and direction and in that process their management capacities have not blossomed. Low level of members' awareness; politicization of the co-operative leadership and failure of co-operatives to attract professional managers still persist in Asian co-operatives, in spite of a very large organisational structure for HRD, education and training of the members and personnel. Every country of Asian Region has a network of HRD institutions owned and supported by the co-operative movements and Government. National Apexes in the region have set up HRD institutions for the benefit of co-operatives. But these institutions continue to struggle to insulate themselves from the Government control and influence, as major portion of their funds flow from the Government. However, following are the important indicators of co-operatives' contributions in building up management capacities within the countries of the region:

- (i) A large number of political leaders have come up from co-operatives;
- (ii) Extent of liquidation of co-operative enterprises as compared with the corporate sector is very small.
- (iii) The capacity of co-operatives in organising the small man is far superior to corporate sector/public sector undertakings.
- (iv) There are a number of co-operative institutions, both in the field of production and services, which have evolved innovative approaches such as organisation of youth and women, credit and insurance products suiting to the needs of the common man.
- (v) Co-operative have demonstrated possibility of bringing in synergy of better farming, better business and better living at enterprise level through successful implementation of an integrated approach by providing package of services including extension, credit, input guidance etc.
- (vi) Supporting Government in the implementation of policies relating to socio-economic development of common man.
- (vii) Decentralization of decision taking process and operations through federal co-operative structure and at the same time taking the advantage of economies of the scale at tertiary level to the primaries.

These are a few indicators of management capacities and innovation within the co-operative sector.

These activities can be further strengthened, if co-operatives become more conscious of the need and importance of investment in the people who create and manage them.

Financial Viability

The following table reveals a very interesting situation which may speak about the financial viability of agricultural co-operatives in Asia:

	<u>%Members</u>	<u>%Co-operatives</u>	<u>%Revenues</u>
Europe	6.10	10.00	50.80
America	2.80	3.10	21.70
Asia	86.10	77.80	23.90
Africa	4.80	9.00	1.80
Australia	0.05	0.03	1.80

The above table shows that inspite of their largest number and membership, revenues earned by co-ops. in Asia are far lower than Europe which has only 6.10% and 10% global membership and number of co-ops. respectively. At global level 5 countries namely Japan, the United States, France, Germany and Belgium account for 65% of total revenue generated by agricultural co-operatives.

Other sectors of co-operatives in Asia even put together, are virtually non-entity in the global context. Another important indicator of financial viability is equity to revenue ratio. Only Japan has a very high percentage of 34% even better than US and European countries. However, other countries of Asian Region reflect a very unsatisfactory situation, howsoever, large number of co-operative societies and resources they may have.

Other important indicators of financial viability of co-operatives may be as follows:

- (a) Extent of growth and accumulation of financial resources at primary level and at higher levels of organisational structure of co-operatives: In most of the countries, the primaries continues to be non-viable while federations have grown in terms of resources and operations. Even in a country like India boasting of a large diversified co-operative sector, a great number of primary agricultural co-operatives are not having a full time paid manager or office, not to speak of provision of integrated services to the farmers.
- (b) Extent of Government's contribution to the equity of co-operatives : The situation is changing fast and barring trading co-operatives (consumers and marketing) Government's equity participation has been very very low.

While in agricultural co-operatives the members have increased their stake, in co-operatives of weaker sections such as artisans, labour, much is left to be done.

- (c) Capacity of co-operatives to mobilize resources from open market : Here again co-operatives face a great deal of difficulties on account of reluctance of financial institutions to invest in co-operatives. Further co-operatives do not have capacity to mobilize funds from open market because of not so conducive environment due to rigid policies and co-operative laws.
- (d) Another dimension of financial viability of co-operatives is lack of avenue for deployment of their surplus resources due to absence of institutional framework resulting into flow of co-operative resources to other sectors.

In spite of these limiting factors it is encouraging to note the increasing realization on the part of co-operative organisations to mobilize their own resources and to provide benefits to the members based on market norms. In almost all the countries of Asian Region structural reforms have been initiated, though at a slow pace. In China, Japan, Malaysia and some other Asian countries merger and amalgamation programs have been undertaken to build up operational efficiency of co-operatives at primary level to enable them to provide greater benefit of their members, in addition to conventional benefits of dividend, patronage refund etc. In India, various programs have been initiated, such as the perspective business development planning for primary agricultural co-operatives, with the aim to strengthen their institutional capability to meet the total needs of the membership. The latter includes the involvement of rural poor and marginalised sections of population such as women, youth through the organisation of self-help groups having linkages with the local co-operatives have been initiated. However, success of these measures will be greatly determined by the extent to which conducive environment is created by the Government, and also the extent to which value based professional management is promoted by the co-operative enterprise.

03. THE CONTRIBUTION OF CO-OPERATIVES TO SOCIAL DEVELOPMENT

A World Bank study defined a global poverty line at US\$ 370 per person a year in constant 1985 PPP prices. It is generally agreed that the poor are those who belong to the economically weaker sections of the society and lack the basic needs of life. They essentially comprise small and marginal farmers, landless agricultural and non-agricultural labourers and the rural handicapped, the jobless and the handicapped in urban areas. Out of the 1,133 million poor in the developing world, 731 million lived in East Asia (169 million in South-East Asia and 562 million in South Asia) in 1990. The Asian Region has made some progress in reducing its share of the world's poor from 68% in 1985 to 65% in 1990. However, higher population growth in South Asia has led to an increase in the absolute number of poor from 532 million in 1985 to 562 million in 1990.

Asia-Pacific Region is the largest Region of the ICA extending from Japan to Israel and Korea to Fiji. China and India alone account for two-third of the world population. It is a very diversified Region. It has the richest as well as the poorest countries. The highest GNP being Japan of US\$ 38,750 and lowest being Afghanistan of US\$ 150 and less than 250 in Vietnam and Bangladesh. Similarly, inflation range is also very diversified being as low as 0.2% in Japan to 73% in Mongolia, 56.7% in Afghanistan and 31.5% in Iran. While in Japan, South Korea, Singapore and Israel the literacy rate is practically 100%, it is as low as 35% in Bangladesh and Pakistan, 54% in Iran and 48% in India.

Almost 50% of the population in the Region consists of women. Nearly 60-70% of them are involved in agriculture. But they rarely participate at management level.

Almost two-thirds of the ICA's co-operative population lives in Asia-Pacific Region. Out of 835 million individual members worldwide, 500 million individual members accounting to 60% comes from Asia-Pacific Region.

Co-operatives cover all aspects of human-life. They are particularly strong in agricultural, consumer, housing, credit, workers, transport, fisheries and in many other areas in the countries of the Region.

Agricultural co-operatives of Japan, sugar and dairy co-operatives of India have created a large variety of services for members besides giving them generous economic returns. The agricultural co-operatives in Japan are said to provide services from the "cradle to the coffin". Better-living activities and women's associations are the strong pillars of the Movement. So are the Japanese Consumer Co-operatives particularly with their "Han Group" Operations and women's associations.

A fundamental co-operative principle is that membership is open, without discrimination, to all who can contribute to and benefit from the activities of a co-operative.

Co-operatives cherish equality and equity without any political, religious, gender or social discrimination. People of varying levels of wealth, education, self-esteem join and work in a co-operative where they relate on an equal basis to one another. This builds self-confidence, human dignity, security and a sense of belonging. All these qualities are central to social order, democracy and peace. Co-operative institutions are a vital component of a civil society with strong ties to local communities. Co-operatives are both economic and social in character - they are business enterprises with a deep sense of social and environmental responsibility.

Co-operatives generate increased income for their members and contribute to productive employment and economic growth.

Besides many others, some of the major social objectives of co-operatives have been:

- to improve socio-economic standard of living and comfortable living in society; Upgrading the socio-economic status of the economically-weaker sections of the society; promoting quality of life especially among the poor;
- to encourage integration among various races and to promote racial harmony. It may be clearly understood that our human society is a social society and it has strong economic needs too.

Both the needs are important. Both are dependent on each other. An individual cannot live on social satisfaction alone. He needs economic satisfaction too. Co-operative institutions try to look after both. It is also clear that the sole objective of a co-operative cannot be the satisfaction of social needs only. It cannot produce and provide social services if it does not possess economic strength. This strength comes only if the services (more of economic nature) are used by the members regularly. More is the use of services of a co-operative, higher is the outflow of social services leading to a stronger social integration in the community.

A co-operative society is a form of organisation created to meet the needs of the community, in a given situation, without exploitation, as a value-based institution, committed to build a social order characterised by equity, equality and distributive justice. The measure of its success, therefore, will be as much its efficiency and the return that it may ensure to its members, as the extent to which it eliminates or reduces exploitation within the community. The economic success or viability of a co-operative is not a guarantee that it upholds and applies the basic values which ought to underpin its working and its concerns.

Goodwill of Co-operatives

In his 1994 report to the General Assembly of the United Nations, the UN Secretary-General had stated that "co-operative enterprises provide the organisational means whereby a significant proportion of humanity is able to take into its own hands the tasks

of creating productive employment, overcoming poverty and achieving social integration".

He reported that co-operatives "continued to be an important means, often the only one available whereby the poor as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life".

In its Declaration, the UN Social Summit (March 1995) commits itself to "utilise and develop fully the potential and contribution of co-operatives for the eradication of poverty".

Chapter-II of its Programme of Action proposes that opportunities for income-generation, diversification of activities and increase of productivity in low-income and poor communities should be enhanced by a number of actions. These were identified as strengthening co-operation among various types of institutions, including co-operatives, with the aim of mobilising local savings, promoting the creation of local financial networks, and increasing the availability of credit and marketing information to small entrepreneurs, small farmers and other low-income self-employed workers, with particular efforts to ensure availability of such services to women. A second area of action is that of strengthening organisations, including community-based and workers' co-operatives, especially those run by women, in order to increase productivity, marketing and participation in the planning and implementation of rural development. Urban poverty should also be addressed by actions which include the promotion of co-operatives. The Summit also commits to "promoting social integration by fostering societies that are stable, safe and just and that are based on the promotion and protection of all human rights, as well as on non-discrimination, tolerance, respect for diversity, equality of opportunity, solidarity, security, and participation of all people, including disadvantaged and vulnerable groups and persons".

Services to the Needy

The contribution of co-operatives to the creation and protection of productive employment and to the eradication of poverty continues to be a principal means by which many millions of persons integrate more effectively in society. Not only are persons furnished with the material conditions and the economic base necessary for equitable participation, but they are able to gain self-respect and dignity and to move, from a condition labelled negative to one labelled positive. They become identifiable as contributors to local economies. No longer are they seen as a drain on resources or a cause of social tension. Recognition of their real contribution to prosperity eases tensions and discrimination declines.

The economic empowerment is particularly important for persons suffering, not only from unemployment and poverty, but also from exploitation on the basis of socio-cultural characteristics, gender or disability. For them, co-operatives are frequently the only form

or organisation capable of providing an escape from poverty, obtaining a more secure economic status or avoiding falling into poverty.

This is so because co-operative enterprises can be established by any group of persons united voluntarily to meet common economic and social needs through a jointly-owned and democratically-controlled enterprise. They can be set up and operated successfully by otherwise highly disadvantaged persons. Co-operatives and their members also form a supportive network at the community, national and international level.

Many disadvantaged persons are able to start on the path of social integration by becoming members of existing co-operative enterprises which already are functionally integrated in the national economy. Thus, numerous worker-owned production and service provision co-operatives make special provision for the extension of membership to the unemployed, the disabled and to immigrants. Many housing co-operatives allow the refugees to be enrolled. Consumer co-operatives too have expanded their activities to the point of functioning as community integration and welfare organisations. Savings and credit co-operatives frequently ensure that their services are adapted to the needs of youth and the elderly. Insurance co-operatives adapt their services to meet the special needs of women and the aged.

Transparent Operations of Co-operatives

Co-operative enterprises are based on procedures and structures which promote harmony within diversity. They are democratically operated. Their management requires open discussions, acknowledgement of diverse views, and identification of the common interest. They provide an environment within which the benefits of putting aside mutual hostility can be seen to be real. Indeed, co-operatives are often the only fora within which the disadvantaged can express their views.

Co-operatives are democratic and participatory organisations actively controlled by their members who enjoy equal voting rights. By this means, each has a say in the election of boards of directors, who, on behalf of the membership to whom they must report, appoint managers and supervise the operation of the enterprise. In participating in the formulation of business policies, members become experienced in identifying achievable options, narrowing down differences and accepting compromise. They are able to observe that the qualities of honesty, openness and responsibility in leadership and management are prerequisites for prudent and effective management of common affairs. Co-operatives further prepare their members for meaningful participation in society by applying the co-operative principle of providing reciprocal, ongoing education programs for members, leaders and employees so they can teach - and learn from - each other in understanding and carrying out their respective roles.

Member-Controlled Institutions

In its statement on the "Co-operative Identity" presented to the Centennial Congress of the International Co-operative Alliance held in September 1995 in Manchester it was emphasised that co-operatives must respond to the needs of, and be controlled by, their members.

The new principle on 'Autonomy and Independence' recognises that co-operatives may enter into agreements with governments and other parties, but only if such actions remain controlled by the members. Once this principle is respected, co-operatives will by their very nature play an important social role, depending on the wishes and needs of their members. From their origins, co-operatives have been used by disadvantaged groups to promote their common interests. Indigenous people in remote rural areas, refugees, migrants, unemployed persons, the elderly, and the disabled have all found co-operatives a means of improving their own situation.

From the above discussion we find that special mention has been made of the following:

- Equality among the members irrespective of the gender or religious or political considerations. Equality here also stresses on those individuals who would like to contribute to the creation and success of the co-operative by using its services and by not being the mere patrons. A co-operative can be effective only if it and its services are used by the members. Equality here also refers to the fairness in dealing with the members irrespective of the number of shares held by any particular individual. Here comes into play the golden Principle of Co-operation 'one-member-one-vote'.

- Exploitation. It is natural that any individual who feels to have been exploited because of the gender consideration or because of the high rates of interests in the open market, or because of other social and economic pressures, would like to look for another source of empowerment through the use of which he can obtain some relief and live the society - as a member of the community - with dignity. When one enters the fold of a co-operative institutions, he is not alone. There are others also who stand along with him and try to help the one who stands in the need of any support. This support or help is not conditional. It is also not an act of mercy or pity. It is spontaneous and is engrained in the principles of co-operation that co-operatives stand for mutual help. It is a question of standing together to eliminate exploitation. The consumer is exploited by the private traders on account of inefficient services, adulterated goods, unhealthy material, underweight, high prices. The farmer is exploited due to bad seeds, lack of farm and market information, bad farm inputs etc. Environment is polluted because of high doses of chemicals - a loss to the farmer in the form of degraded soil and the consumer suffers because of unhealthy and harmful products. Consequently co-operatives, in many instances, have stepped in to provide relief to both. Some of the instances are: Japan's Eco-friendly consumer shops, 3-H Agriculture (Healthy, High Quality and High Tech), India's NAFED's bio-fertiliser production, IFFCO's Farm Forestry Programme etc.

- Members control. Of course, co-operatives are created by the members and they are the owners. It has, however, been seen that the government officials, influential landlords, rich traders often hijack these co-operatives and eventually control the decision-making organs, thus putting the real members out of focus.

They lose control of their co-operatives. Gradually they lose their interest in their co-operatives, and as a result, these co-operatives get reduced to some unknown 'paper co-operatives' which are good for their contributions to official statistical statements. Co-operative institutions have their own byelaws which are framed and adopted by the members on their free will through the instrument of their general meetings. They get their legal validity upon their having been registered by a competent authority created by the government - usually the Registrar of Co-operative Societies. It so happens that these competent authorities have often been vested with vast powers which go against the spirit of the byelaws framed and adopted by a co-operative society. If this sacred line of 'mutual trust' is tempered with by the government authorities, the members are bound to lose their control over their own co-operatives. These will then end up as government co-operatives or government-sponsored co-operatives - not genuine members co-operatives.

- Democracy. This is the environment within which a co-operative institution usually operates. A co-operative is a democratic institution where members rule supreme. The concepts of open membership and non-discrimination are basic to democracy in co-operatives. Democracy is measured by involvement of members as well as by the counting of votes. The environment within the co-operative should be open, fair, without any fear or favour, and where adequate educational and development opportunities are accorded to the members and employees. The participation of members irrespective of any 'misconceived notion' should be clear, and the officers of the institution should be accountable to the members.

Co-operative institutions, through their objective planning and fair-play, have contributed significantly in many places in welding the civil society in such strong institutions that even the mighty governments have been seeking their support and collaboration to provide social and economic services to the community. Through their programs co-operatives have been able to successfully remove some 'misconceived' or artificially created hurdles. In milk co-operatives (for instance in India) men and women, people of different castes, people of varying ages stand together in a queue to deliver their milk supplies to the counter, and also receive their payments in the same way.

Similarly some of the sugar co-operatives (again in India) have provided health services to their members without any extraneous considerations. Children from all castes,

religions and income levels are admitted to the educational institutions operated by them.

Co-operatives have immense potentials to harmonise the community feelings and help develop individuals to think and act in a wider perspective. Government agencies, instead of creating parallel state agencies (at the cost of the tax-payers) can as well consider using co-operatives to propagate some of the social-oriented programs.

This will help co-operatives to serve their members, support the government as well as strengthen themselves in the process. The sugar co-operatives, particularly in the State of Maharashtra of India, have turned out to be the outstanding examples of providing the sustaining social services to the members and to the community. They have demonstrated, with a considerable amount of success, that co-operatives, if keyed properly, can deliver economic and social security to the community. These sugar co-operatives have helped achieve two main goals: i) a total transformation in terms of productivity, agricultural income and savings; and ii) effective linking of farmers' produce with marketing. The profits earned by co-operatives were ploughed back in the service of stock-holders, the farmer-members, in the form of social and economic institutions e.g., hospitals, technical institutions, irrigation projects etc.

Role of Co-operatives in Asia Pacific Region

Co-operatives have been able to provide a variety of social services to their members besides providing opportunities of employment and additional income-generation opportunities. Some of the social aspects of co-operatives have been the following:

- Employment generation
- Formal and non-formal education
- Vocational training
- Medical and health care services
- Environment protection activities
- Drinking water supply
- House construction
- Fine arts and sports
- Legal aid and consultancy services
- Consumer education - consumer protection
- Rural welfare programs
- Rural communities etc. etc.

Co-operatives institutions in the Asia Pacific Region have provided a number of instances where they have provided services to their members in sectors like poverty alleviation, social integration and employment generation. Some of the instances are:

- social services rendered by sugar co-operatives and milk co-operatives in India;

- agricultural and consumer co-operatives in Japan (in the sector of encouraging women to participate in co-operative activities through their own Han groups and associations, health programs etc.);
- handicrafts industrial co-operatives of China;
- women associations in India, Sri Lanka and Indonesia etc.

Level of co-operative development in the Region presents an interesting study. While there are rich, well-knit, enlightened and well-managed co-operative institutions in countries like Japan, there have been instances where co-operatives are still struggling to find their own level e.g., in Bangladesh, Pakistan and others. In countries like India where co-operatives have been on the scene for over 100 years, they have, owing to excessive

government protection and interference, lost communication with the members. The participation level of members with their co-operatives has weakened. The management of their own co-operatives has slipped out of members' control. The pressure and presence of the government is rather heavy on the finances, management and control of these co-operatives. Co-operative institutions, however, have been recognised in many of the developing countries as strong and more reliable institutions through which economic development programs have been and can be brought to the community.

A majority of these drawbacks can be removed with an appropriate planning and with the co-operation of enlightened co-operatives and government organisations. Special thrust has to be given to educate the members - not only in the techniques of running a co-operative institutions but also in appreciating the importance of literacy, and to train the board members and employees of co-operatives so that they are able to take proper decisions and implement them to the entire satisfaction and advantage of members - the owners of co-operatives. Greater educational and training opportunities empower the members to manage their institutions on proper lines and help insulate them from negative and external influences.

It has often been found that those co-operatives or institutions which provide for greater funds and opportunities for the education and training of their members, board members and employees have shown greater independence of action and shown better economic results. Such institutions consider these expenses as investments. Even from the governments' point of view, those governments which have invested in human resource development e.g., health, education, provision of basic amenities, have been able to enhance the living standards of their people. Co-operatives which have responded to the needs of their members have been able to sustain their interest and participation, and members have very often made calls on their own institutions to provide them with more services. Human resource development can contribute significantly to the eradication of absolute poverty.

Non-governmental agencies dealing with poverty related programs have limitations on funding and organisational capacities. They often tend to cover only a small segment of the population. As a result their efforts also get frustrated over a period of time. NGOs,

like the co-operatives which have a direct link with the members, the community and which deal with a close-knit human society can have a positive effect provided the co-operatives enjoy the desired decision-making abilities and their programs are aimed at the poor segments of the community.

Due to the existence of many restrictions imposed by the governments, co-operatives often lack initiative to invest in community-oriented programs.

Co-operatives, as institutions of the people, can thus be effectively used by the state to improve the economic conditions of the people. Many of the community-oriented social and economic programs can safely be entrusted to co-operatives for implementation instead of duplicating and inflating government infrastructure. Some of the key areas could be rural electrification, rural drinking water supply, rural health programs, adult education, telephone and other communication services in villages, maintenance of irrigation channels and tanks, adult education etc. etc. Co-operative can be used to undertake programs which target at a larger number of people which has a combination of women, men, children, young and old as well as of farmers, consumers and industrial workers.

Co-operatives thus can be involved in the following sectors:

- Health education programs (relating to mother-care and child-care, AIDS, balanced food, general health checks, nutrition). Good health means good level of education, more active life for the industrial worker, better work environment for women, better consciousness on safety and security. Co-operatives can also provide services for the care of the aged.
- Education and training (essential skills of literacy and numeracy as well as practical problem solving not only of the co-operatives but of other agencies and institutions with which the individual comes into touch. Investment in education contributes to economic development by increasing labour productivity, higher agricultural production and provision of better and environment-friendly consumer goods). The education of women is a particularly strategic investment in human resources, carrying very high social returns. Educated mothers have lower infant and child mortality and are more aware of the usefulness of birth control. They can educate their children better. They delay marriages.
- Employment generation (through diversification of activities of co-operatives by going in byproducts which bring in higher economic returns to the producers e.g., value-addition through agro-processing, etc.). Such programs also help reverse the trend from the village to the town. It has been found that in countries like China and India, which are highly agricultural-oriented economies, a large number of people - including youth and women - have got involved in agriculture-related activities. Many of the agricultural co-operatives have diversified their activities and have created avenues for employment of rural youth and women. These are plant nurseries, food processing (soya paste, tamarind paste,

rice/wheat flour processing etc.), social forestry, production and maintenance of farm machines, embroidery, sewing, coir-related industry etc.

Co-operatives to become focal points for information and dissemination of knowledge for the community through a networking process with parallel institutions, centralised institutions and members.

With the advancement of telecommunication technology, rural populace has now to themselves an open window to the world of opportunities. Distances and language barriers are gradually disappearing. These potentials need only to be further exploited and harnessed to the advantage of the people in rural areas. With better access to market information co-operatives can provide greater business opportunities to their members. As in countries like Japan agricultural co-operatives can provide services to the farmer-members from 'cradle to the grave'. Women there are keenly involved in undertaking better-living activities with full consideration being given to environment, preservation of cultural heritage and traditions and revival/ strengthening of family ties.

Co-operative institutions as a vital component of civil society with strong ties to local communities, form a particularly important vehicle for the development of marginalised sections of the society. They, however, suffer from a chronic lack of both financial and human resources. Their effectiveness can be substantially enhanced through personnel training, members' education, the exchange of experiences with counterparts in other countries, and access to regional and international information sources in their fields of interest.

CANADA'S ROLE IN THE DEVELOPMENT OF THE ASIAN CO-OPERATIVE SECTOR'

The origin of Canadian support to the Co-operative sector in Asia was first triggered in 1977 when field missions of CIDA saw the emerging credit union sector in various Asian countries which managed to countervail the predominantly state-sponsored co-operatives. Mission Administered Fund (MAF), set up in various Canadian embassies in Asia, provided small-scale project support to emerging co-operative organizations categorized under the NGO sector. Funding was given to organizations such as the Credit Union Central of Indonesia (CUCO-Indonesia) in 1978, the Credit Union Promotion Club of Malaysia (CUPC), the National Credit Union Federation of Korea (NACUFOK), and the Visayas Co-operative Development Center (VICTO) in the Philippines.

Unlike co-operatives, which have been generally branded as government institutions in the sixties, the credit union concept appealed to both rural and urban poor communities in Asia. Credit unions, promoted by the Socio-Economic Life of Asia (SELA), offer a practical vehicle to poverty reduction programs, at a time when growth maximization strategy adopted by many governments in Asia did not specifically address the poor as target groups. The trickle down policy taken on by many governments at that time, with the green revolution and food production as their overriding agenda, stifled initiatives coming from below and consequently increased the gap between rich and poor. Credit unions, while still limited in numbers, had become powerful gap-fillers that countervailed the imposition of government-initiated multi-purpose co-operatives in rural areas from the top. This was particularly the case in many South East Asian countries such as Malaysia, Indonesia and the Philippines, bearing the name Samahang Nasyon (Philippines) and Koperasi Unit Desa (KUD, in Indonesia).

It was also during that period in the early seventies when one can witness the proliferation of Non Governmental Organizations in the South East and South Asian countries. Analogous to credit unions, they emerged spontaneously as a force to mitigate the negative side effects arising from Centralized and bureaucratic systems adopted by many governments in Asia, Economic growth strategies affected the poor communities adversely, and NGOs emerged as a catalytic force to moderate the resulting ill effects. Consequently, NGOs as well as other popular community groups sprang up in an unprecedented pace to help ease the burden of farmers, workers, and marginalized segments of the society through new agendas of community based alternative development. There was an urgent cry for more people's organization and popular participation, as well as bottom up approaches in the development process.

Regional NGO groupings such as CENDHERRA (Center for the Development of Human Resources in Rural Areas), ACFOD (Asian Cultural Forum on Development), as well as supporting agencies such as APHD (Asia Partnership for Human Development) and other NGO coalitions, emerged as viable networks to focus on the poor and marginalized.

Given the circumstances at that time, the credit union concept befitted the need for poverty-focused programming. The Canadian government, through the Mission Administered Fund, has provided both timely and focused support to co-operatives in Asia due to its careful choice of partners. It will not be out of context to mention that the Mission Administered Fund established in various Canadian Embassies has led the way in identifying the best "people-initiated" co-operatives in the Asia region. This was subsequently emulated by similar small-scale funding to co-operatives/credit unions made available by embassies from the US (USAID), Denmark, Switzerland and other European Countries. Together they made up an empowering agent for bottom-up development initiatives by the co-operative sector in the region.

The inception of the Asian Confederation of credit Unions (ACCU) in 1971 became a useful conduit for funding to credit unions from Canada. This was made possible because of the contributions made by the Canadian Credit Co-operative Society (CCCS) to the Co-operative Development Foundation from Canada. ACCU was formed to coordinate the rapid growth of incipient CU movements in Korea, Hong Kong, Japan, Philippines, Thailand, Indonesia and Malaysia. Spurred by the conceptual framework of SELA, credit unions became an imperative to promote new credit union movements in developing countries such as the SANASA movement in Sri Lanka, with emphasis on empowering the needy, hence the poor and economically weak, with a practical notion of good business practices. There was no question that micro credit and micro finance has taken roots among these credit unions, and the conceptual commonality with credit unions in Canada has triggered the CDF to increase funding to these credit unions.

In hindsight, credit unions were fortunate in that the initiative to organize their primaries did not come from the government or state machinery but from the people themselves. At that time, many could witness the sad collapse of so many co-operatives initiated by the state bureaucracy or politicians.

As was evident in many top-down structures in the past, bureaucrats used to offer easy concessions and subsidies as an enticement to reach official development targets, but without any regard to members' own participation and control.

In the case of credit unions, promotion centers were formed to catalyze and initiate the educational process, upon which vertical integration was left to the democratic decision of the credit unions themselves. Pioneers and leaders learned from the examples given by Friedrich Wilhelm Raiffelsen and Alphonse Desjardins who taught the basic notion of democratic control and self-reliance in running the business of a credit union. Control and self-confidence are essentially the empowering features that became the invaluable product of a credit union.

It was also acknowledged that member-owned and member-driven processes of a credit union would take a relatively longer time to accomplish results, since it has to be equally matched by sound business practices. Where the poor are involved, it may even take longer to accomplish. But they are sustainable.

It is for the above reasons that the impact of credit unions may not be readily seen by large bilateral and multilateral agencies, because building such a democratic yet disciplined organization is a long and onerous process. It defies easy credit from outside, so micro financing in the credit union sense makes sense, because credit came from the people first and not injected from outside. Funding by Canadian agencies was merely intended for education and training, whereas members themselves mobilize savings for their own credit needs. The less-than-desired political impact had in some way curbed the many movements to obtain their rightful legal status. As can be expected, the government apparatus dealing with registration apply a different set of criteria for success, or else is being admonished to prioritize the state-sponsored, usually multi-purpose, co-operatives (e.g. in Indonesia). If and when official registration is afforded, one could detect the fine line between co-optation and collaboration.

However, it became evident from several movements that where leadership within primaries have succeeded in forming a strong national federation with equally strong representation at the secondary structures, the impact can be more readily felt. In the latter case credit unions are more readily recognized and given their legal status (e.g. in Sri Lanka and Thailand).

By 1981, when the Co-operative Development Foundation (CDF, the precursor of CCA) became more active in providing CPF (clothesline project fund) support to co-operatives in the region, a cross-Canadian speaking tour was organized by CDF to create greater awareness among Canadian co-operators regarding co-operative realities in the Asia region.

The first speaking tour guest of CDF was the then President of CUCO-Indonesia who was also Training Specialist of the Asian Confederation of Credit Unions, and who introduced the concept of partnership and institutional building as a bridge to link Canadian and Asian co-operatives. Not only did CDF provide funding to credit unions, but it also sponsored community-based and member-initiated co-operative organizations in the region such as SAMAKHYA in Hyderabad, India and Barisal Development Society in Bangladesh.

It was not until 1983 when a more planned approach was undertaken by the Co-operative Development Foundation, especially after an evaluation was undertaken by UNIVERSALIA in 1984 which resulted in the provision of block-funding by CIDA to the CDF. Both CDF (then still under the Co-operative Union of Canada), SDID (precursor of DID), and SOCODEVI were very active in Latin America and Africa in the early nineteen-eighties, and many parallel yet complimentary project undertakings were launched in these two regions.

Subsequent to a world meeting in Melbourne in 1988 attended by both CCA and SDID, a decision was made by the leadership of both organizations to try and work together not only in Africa and Latin America but also in the Asia region. An introductory exposure was carried out by the then CCA Region Director (Robby Tulus) for the Director of SDID (Ghislain Paradis) in 1989. Both visited the Asian Confederation of Credit Unions in Bangkok, the Railway Co-operative (savings and loan) in Malaysia, the National Confederation of Co-operatives (NATCCO) in the Philippines, and the International Co-operative Alliance, Regional Office for Asia and the Pacific in New Delhi. A first joint project of CCA and SDID on "Women in Fisheries Co-operatives" came as a result of the visit, with SDID focusing on the savings and credit aspect, and CCA on the net-making enterprise for income generation of the fisherfolks. From this first joint activity came the more sophisticated joint programming in the Philippines (SEDCOP) and the current Strategic Study.

* The credit union segment of this report has been quoted and/or excerpted from a paper entitled "Poverty Alleviation and the Role of Credit Unions" written by Robby Tulus and presented at the ACCU Forum in Bangladesh, September, 1994.

05. CO-OPERATIVE MODEL IN A CHANGING ENVIRONMENT*

At issue in Asia today is the lingering economic crisis. This restless crisis, which threatens political turmoil in some countries, is an issue being talked about every where. People talked about the 'Asia Economic Miracle' just a year ago, and it suddenly turned into an 'Asia Economic Meltdown' six months later.

During the Fourth Asia-Pacific Conference of Co-operative Ministers held in Chiangmai, March, 1997, ICA delivered a joint statement of the Standing Committee which stated, among others:

"Since 1991, net resource inflows in Asia have averaged \$75 billion per annum, peaking in 1994 to \$109 billion and accounting for 48 percent of total net inflows into the developing countries. The magnitude of such inflow, when considered against the backdrop of prices of financial assets and real estate, can be subject to volatility (recently in Indonesia, and now actually starting to happen in Thailand) especially if the inflows are of short term speculative nature"¹

In August 1997, ICA ROAP described the prevailing socio-economic condition in Asia in its planning document and stated, a/o:

"Recent developments in South East Asia, triggered by the unstable currency in Thailand, raise concerns about the long term economic stability in this region.

Like real-world markets, real-world governments are imperfect. Real-world governments are susceptible to multiple forms of government failures: ill-defined goals, poor management, information deficiency, rent-seeking behaviour, rent-creating behaviour".

The above trend analysis highlights the continuous need for a reality check in the Asia-Pacific Region.

Even if currencies and stock markets do stabilize soon, millions of poor people impacted by the meltdown will not be necessarily saved. Unemployment will rise, prices will escalate, and a recession may follow.

The situation will no doubt create new challenges, but also opportunities, for co-operatives in this region.

* Excerpted from the Discussion Paper of the Co-operative Think Tank in Manila, February 1998, prepared by R. Tulus, Regional Director of ICA.

¹ Report of the Fourth Asia-Pacific Co-operative Ministers' Conference, ICA ROAP, Page 74

Savings capacity of members will most likely be curtailed owing to shrinking income levels resulting from the devaluation, loan repayments may likewise be slower due to higher consumption costs, and production levels may suffer if imported raw materials are being used. On the other hand, co-operatives can offer hope for those communities affected by the economic slump because successful people-based co-operatives have imprinted good discipline in functions. It amounts to a sound and transparent manifestation of “the ICIS in practice”, benefiting not just co-operative institutions but ultimately their most important asset, i.e. individual members at the grassroots.

Context

The milestone created by the ICA Centennial Congress in Manchester in 1995 has stimulated renewed debates about the role of co-operatives in development. The quest for a workable “Co-opParadigm” became strong as the notion of State and the Marketplace rules out virtuous ideas such as democracy, autonomy, good governance, and participation. States in most developing countries are for the most part considered redundant due to their implicit pursuit for central power, not to mention the inefficiencies, overspending, and mismanagement that usually accompany such a pursuit. The market, on the other hand, is considered lopsided due to its relentless quest for profit.

The conceptual logic for “Co-operatives” as a Third Sector, or at least as an initial ‘go-between’ straddling the State and Private sectors, is certainly justified. The ICA Co-operative Identity Statement, in hindsight, has in some way established a pedigree in development philosophy, especially through the adjustment of its third principle and the addition of the fourth and seventh principles, evolving into a shared understanding of sustainable human development. That said, however, one has to take immediate caution. Taking pride in co-operatives purely from a theoretical or philosophical standpoint’ alone is not only utopian, but also dangerous.

Realities in the developing world are witness to the shrinking elbow room for state sponsored co-operatives because of their continued dependence on government subsidies, or otherwise on their traditional approaches which discount professionalism in both business development as well as mainstream management.

But we can take comfort of the fact that levers can be found in people-based co-operatives that continued to grow autonomously and independently.

The latter is a growing phenomenon and co-operatives under this category are considered important prerequisites for democracy, good governance, entrepreneurship, all of which are explicit goals of many bilateral and multi-lateral aid agencies. Unfortunately, it is also this category that has been overshadowed by the dominance of the state sponsored ones which are now mostly dormant due to the gradual withdrawal of state subsidies.

While micro finance and micro enterprise should have fallen more logically under the co-operative domain, our co-operative system has been almost completely ignored or miscalculated by those agencies promoting micro interventions, due to the overriding "image" that co-operatives - especially in developing countries - are perceived as state-controlled enterprises.

Hence the urgent need to correct the co-operative image, and the "catching up" work that need to be done. More space should be given for informed debates about the good work done by viable people-based co-operatives which are now beginning to spread all over the region, as well as the transformation of state-subsidized co-operatives into becoming more autonomous, independent, and self-reliant.

Environment

The Asia-Pacific Region

In the Asia Pacific region, pluralism and diversity is a stark reality. China and India alone account for one-third of the world population. A World Bank study has defined global poverty at US\$370 per person a year in constant 1985 PPP prices. Out of the 1,133 million poor in the developing world, 731 million lived in the Asia region alone (169 million in South-East Asia and 562 million in South Asia) in 1990. The Asian Region has made some progress in reducing its share of the world's poor from 68% in 1985 to 65% in 1990. However, higher population growth in South Asia has led to an increase in the absolute number of poor from 532 million in 1985 to 562 million in 1990.²

The region has the riches as well as the poorest countries.

The highest per capital GNP being Japan of US\$ 39,640 (1995) and less than US\$ 250 in Vietnam and Bangladesh. Similarly, inflation range is also very diversified. It is as low as 0.2% in Japan to 73% in Mongolia, 56.7% in Afghanistan and 31.5% in Iran.³ While Japan, South Korea, Singapore and Israel have a 100% literacy rate, the rate is as low as 35% in Bangladesh and Pakistan, 54% in Iran and 48% in India.

Asia is also the conspicuous victim of market hysteria these days. Take the example of resource inflows into the region. External resource inflows into the Asian developing countries between 1987 to 1996 should give sufficient indication that it will be hard for the financial sector and the governments in Asia to manage the astounding amounts overnight. In the four years prior to the downturn in the industrial countries (1987-1990), long term net inflows into the region averaged \$31 billion per annum.

² Source: World Development Report, 1997.

³ Inflation figures was made before 1996 and will vary as a result of the Asia Economic Crisis.

Since 1991, net inflows have averaged \$75 billion per annum, peaking in 1994 to \$109 billion and accounting for 48 percent of total net resource inflows into the developing countries.⁴ Given this, prices of financial assets and real estate were subjected to high volatility which then brought down the economy in Thailand followed by other ASEAN countries and South Korea, because inflows were of short term and speculative nature.

More importantly, the domestic financial system was exposed to potential instability depending on the capacity of banks to successfully intermediate and ensure efficient allocation of credit. The sudden increase in the liquidity of banking system runs the risk that the quality of loans could deteriorate or there could be a mismatch between the maturity structure of assets and liabilities. This brings into question loans extended to co-operatives by state banks without proper risk analysis. As a result, Asia is currently grappling with currency and stock market crises.

The financial crises in South East Asian nations are all characterized by the combination of initially overvalued currencies, significant external debt and weak banking systems.

The deepening of the economic turmoil was first seen as a confinable regional crises, but is mutating into a dangerously contagious threat to global stability now that Japan and Korea have been pulled into the fray. That said, however, the crisis also speaks about fragile international capital markets than about the economic problems of Asia.

Addressing governmental weaknesses is the largest hurdle facing developing countries in Asia. Corruption is rife, judicial systems are weak, and local governments often lack authority and adequate finances.

The financial crises will likely have continuing effects for two or three years on the overall health of the economy. But the slump in South-East Asia has revealed the need not just for economic change, but for political reform as well.

Co-operative Sector

The co-operative sector in Asia and the Pacific as a whole covers roughly two-third of individual ICA global membership coming from 28 countries through its 69 affiliated organizations. One can find the best possible and worst possible examples of co-operatives in the region. The region covers all types of co-operatives. Agriculture and multipurpose accounts for 57.60%; housing 10.61% and consumers occupying 8% share. The strength and weakness of the co-operatives can be seen from the fact that the average membership and share capital of a primary agriculture co-operative being as high as 1,650 and US\$915,000 in Japan; 1,348 and US\$88,185 in Thailand; 4,696 and US\$26,912 in China; and 584 and US\$10,276 in Malaysia, 40 and US\$450 in

⁴ ADB's Asian Development Outlook 1994.

Pakistan, and as low as 40 and US\$95 in Bangladesh. Sri Lanka has an average membership of 405 and the average share capital of US\$450.

In Fiji, on the other hand, the membership is a low 40 per society and the share capital is comparatively higher, i.e. US\$5,205 per primary society. The position is not much different in case of consumer co-operatives too. The average membership and share capital in Japan is 26,636 and US\$4.7 million; in Thailand it is 1,958 and US\$54,203. In Fiji it is as low as 26 members and US\$1057 share capital and in the Philippines only 52 members with a share capital of US\$5,464.⁵

Given the above environment, co-operatives cannot be value-neutral but must be value-based. There is certainly no lack of conviction and commitment on part of the co-operative leadership. The ICA has adopted the ICIS as our new guidepost during the Centennial Congress in Manchester.

In this region we did some testing and fine-tuning of the ICIS application through a special workshop in Jaipur. The "strategies and guidelines for incorporation the ICIS" concluded at the Jaipur Workshop has yet to be adopted by the 1998 Regional Assembly.

If we possess credible case studies of self-reliant co-operatives, such as the recently published "Critical Study on Co-operative Competitiveness and Legislation" (1996)⁶, they would empower the ICA ROAP to be better able to market the true worth of its members for the delivery of development goods.

It can also be used as a model to spur those still left behind to strengthen themselves and become more self-reliant. This is a challenge that can be addressed, if we agree that we need to come to grips with the important role co-operatives can play in the prevailing development agenda in this region. If we believe that co-operative is also a relevant model for sustainable development, it would be challenging to see how co-operatives can help bring greater equality in the market place through effective distributive outcomes of the market itself.

⁵ Based on data compiled by ICA ROAP in 1994.

⁶ ICA Publication, reported by Messrs. Ibnoe Soedjono and Mariano Cordero

06. CO-OPERATIVES AND THE NEW ECONOMY

With the introduction of a number of multi-dimensional measures for market-orientation, liberalisation and globalisation, Asia and the Pacific Region witnesses the emergence of the "New economy" which is totally different from the earlier models of command economy or centrally Planned Economic System. However, the pace of development of the New Economy differs from country to country. The underlying objective of such economy is to attain increased growth in terms of better utilisation of resources, higher productivity with improved quality and better competitive strength. The common strategy adopted in the region is export led growth except in India ,where production pattern has been designed to balance the domestic and export needs.

Co-operatives in the region have not remained insulated from the trends in national economies. Realising harsh realities of open market competition, co-operatives are now deeply concerned for preservation-and protection of their identity and to ensure their sustainability in the market. Therefore, they attach greater importance to mobilise their own resources to become self reliant and to strengthen membership participation at enterprise level. However, some what apathetic attitude and absence of clear perception at the level of the Govt. in regard to their re-positioning in the new economy is a worrisome factor for co-ops. The Govt. initiatives, so far, have been limited to only slow paced reforms in legal frame work for co-operatives. In a number of the countries co-operative law has been amended. Mention may be made of the following:

Australia

The state of New South Wales (NSW) has enacted Co-operative law of 1992 with the objectives of efficient business, protection of members interests, enabling co-operatives for greater capitalisation, providing level playing field to co-operatives, promotion of integration through mergers etc.

China

New co-operative law is under drafting stage.

Fiji

New co-operative law has been enacted in 1996, which emphasises that main purpose of co-operatives is to provide services to members-and not to maximise the profits. The law also incorporates five (5) co-operative principles.

India

An Expert Committee appointed by the Government of India has prepared a model co-operative law which visualises for creation of member-based and member controlled co-operative system by divesting government of its extensive powers through delegation to

Co-ops and their federations. The model Co-operative law will form the basis of amendment of State Co-operative laws.

Another important development is enactment of a separate co-operative law for self reliant Co-ops in some states e.g. Andhra Pradesh Mutually Aided Co-operative Societies Act of 1995.

Indonesia

The law on Basic Regulations for co-operatives no 2 of 1967 has been replaced by the law no. 4 of 1992 which aims at promoting co-ops as people's economic movement as well as business enterprises. However, it also recognises the role of the Govt. in co-operative development. This new Law visualises the strengthening of economic potential and capability of members in particular as the core objective of co-operatives. The implementation of this new law remains to be gauged in view of the recent political turmoil and economic downturn in Indonesia.

Japan

It has 6 co-operative laws- principal of them is Agricultural co-operative law, 1947 which has been amended 27 times from 1947-1993. The core element of the Japanese Co-operative law is obligation of co-operatives to deal with members only, and liability of members to have total responsibility to contribute to the financial resources of their co-op.

Republic of Korea

As in Japan, Korea also has 6 sectoral co-operative laws- Agricultural co-op-law, being the first co-operative law providing the basis for the other five laws. These laws have also been amended a number of times. The peculiarity of Korean Agricultural co-op law rests on its emphasis on non-discriminatory treatment of their members, and the banning of co-ops that perform any action connected with politics.

Malaysia

Malaysia has enacted New Co-op Societies Act, 1993 providing wide ranging powers to Registrar General who has also been given power for development of co-ops in non-agricultural sector. A provision has also been made to enable co-ops to have subsidiary companies. Agricultural co-ops are regulated by Farmers' Organisations Authority under a separate statute.

Philippines

Co-operative Code of Philippines passed in 1989 is the most progressive co-op law incorporating the principle of subsidiarity to empower co-ops to regulate their own affairs and to provide support services for the benefit of their members . It provides for a heavy

penalty for public officials and politicians, if they interfere in the autonomous functioning of co-ops. This Law also provides the controversial tax exemption to the co-ops in its transaction with members.

The latter has given rise to a number of pseudo co-operatives, organized by rich people, that simply want to take advantage of the tax exemption. In the Philippines, the Co-operative Development Authority, (CDA) has replaced the Govt. Department of Co-operation, for the purpose of promoting and registering Co-ops. The CDA reports directly to the Office of the President.

Sri Lanka

In Sri Lanka the Co-operative Act of 1972 was amended in 1992. This amendment has created more powers to the Registrar regarding suspension of the board, removal of an officer of co-operatives. The amended Act makes it obligatory on elected chairman and the board members to file a declaration with the Commissioner regarding their assets and liabilities, including those of their spouses.

Vietnam

Vietnam has a new co-operative law to facilitate the transition from centrally planned co-operatives development into a market-oriented one. However, the hold of State and the Ruling party on co-operatives has yet to be phased out.

Thailand

The new law is pending and is still under consideration by Parliament.

Strengths and Weaknesses of Co-ops

The above trends in legal reforms for Co-operative development in different Asian Countries are indicators of the Co-operatives' quest for new approaches and paradigms to strengthen member based and member controlled business enterprises which should be an integral part of the communities around them. Although Co-op members have their roots in the Community, yet Co-operatives have remained somewhat isolated from the community due to dominant role of the State. Apathy and apprehension of the members and absence of positive image of Co-operatives in people's mind are the end product of such isolation.

However, in the present context, in spite of their well established achievements and strengths in a number of areas, they have been inflicted with many weaknesses making their sustainability in new economy questionable.

The following table gives an analytical presentation of their strengths and weaknesses.

No.	The Context	Strengths	Weaknesses
(1)	(2)	(3)	(4)
1.	Penetration	Most of the villages are covered. Also present in urban areas	Percentage (%) coverage of households and overall population is low.
2.	Diversification	Cover almost all the sub-systems of agriculture Involvement in distribution of Consumer articles particularly for the poor and middle class Proven success in the generation of employment (both direct & indirect) Integration of members' economic and social needs	Low level of market share

Presence in social sectors

- | | | | |
|----|----------------|--|--|
| 3. | Capitalisation | Pre-dominance of members' | Weak base of capitalisation |
| | | Insulation from Market fluctuations and speculation | Lack of opportunities to mobilize capital from market
Dependence on Govt. |
| 4. | Competition | Have institutional presence at primary , secondary and tertiary. levels of economy | Habit of seeking protection and support from the Govt. |

5.	Governance		
a.	Involvement of members in decision making	Implementation of principle of Democratic control	Lack of involvement of members in decision in decision making
b.	Board members	Democratic election ensures the acceptance of leadership by membership	Politicisation Lack of entrepreneurial skills
c.	Executives	Localized Direct touch with Membership	Bureaucratic Influence of Govt. Lack of professionalism Overstaffed
6.	Approach to Development	Patronage of Govt. (Instrumentality of govt)	Dependency syndrome
7.	Business Aim	Service for meeting members' needs	Unable to withstand pressures of market economy
8.	Globalisation	Have linkages through ICA network all over the world	More inward looking. Prefer to confine to limited areas of business, lack of perspective

Mounting pressures of market economy and globalisation confounded by volatile currency situation and recession in economy call for evolving a new Co-op Paradigm to face these challenges. The response of co-operatives in the region either has been adhoc or limited to mergers and amalgamation at grass root levels. Therefore, a well crafted strategy to ensure sustainability of Co-ops based on their strengths and weaknesses need to be formulated by the Asian Co-ops.

The strategy may ,in particular, identify the niche-areas for co-operative development, suggest guidepoints for Co-operatives to face competition and to mobilise their resources. The strategy should also help Co-operatives to evolve parameters for their repositioning vis-a-vis the private sector and the Government.

Co-operatives and Private Sector Development

For a long period co-operatives in Asia (except for Japan) have been treated as an adjunct of the public sector, in spite of a notable presence of member based Co-

operatives such as in Bangladesh (traditional or non-Comilla pattern Co-ops), India (Urban Co-operative Banks and Credit societies), Indonesia (Non-KUD Co-ops), Phillipines (NATCCO) Sri Lanka (SANASA co-ops), have grown- and flourished simultaneously with state sponsored and aided Co-ops. With economic reforms in operation co-ops, as business enterprises, feel closer proximity with market oriented private sector. The traditional view of private sector representing an anti co-operative perception is being given a gradual go bye and need for constructive business collaborations based on mutuality of interests of both the sectors is being talked about.

Another perceptual odd with Co-operative sector has been their narrow understanding or, rather, misunderstanding to regard private sector as an assemblage of investor oriented firms or capitalists. In reality it is not so. There is a vast number of institutions in the informal sector consisting of labourers, artisans and craftsmen, the self employed people etc. In a number of countries of Asia the informal sector is the largest employment provider of the common people. The Co-operatives can play a very important role in the development of this component of private sector by providing them with (a) institutional support (b) market access and (c) reasonably priced consumer article.

Co-operatives may also enter into strategic business alliances with the private sector for obtaining advantages such as technology, resources, and markets. Such alliances will also help co-operatives in shedding their traditional precepts and practices of management and in imbibing modern techniques in their working and operations.

Micro-finance is yet another area which is very much associated with the development of Co-ops and private sector. The self-help groups (pre-co-operatives) and credit unions not only provide strong support to the people in informal sector but strengthen the process of capital formation within co-operatives. In a number of countries of Asia, self-help groups have been a well known success story in promoting micro-credit either as an integral part of co-operative system or as an complementary instrument of co-operative financial services.

Co-ops facing competition and market forces

One of the common features of Co-operative development in the Asian Region is growth of member based co-ops which have no reluctance to face competition in the market. However, state sponsored and aided co-operatives, although having preponderance, continue to struggle and straddle in a competitive situation, due to abolition of their monopoly and reservation in certain areas and economic activities. The situation at primary level of organisational structure of Co-ops (except in Japan & Korea) is not satisfactory as in most of the countries these institutions have been functioning as one of the channels rather than as independent and autonomous business units. As regards member based co-operatives, majority of them are yet to reach at a level of critical mass which will ensure their self propelled growth and sustainability in the market. Higher level federations, too, have been apathetic to enhance the competitive strengths of their primary constituents.

In Asia co-operatives exist in three areas of national economies i.e. production, distribution and services. The production co-ops, generally, have competitive edge in procurement of raw material since they are organised by producers. But low level of technology and lack of managerial capabilities, quality control and market strategy inhibit their competitive strengths in a free economy. There are hardly a very few co-operatives which have oriented their production pattern and technology to meet the global needs.

The consumer co-operatives have done well in case of distribution of essential commodities under the patronage of the government. However, low level of margin on these goods and dependence of these co-ops on private sector for procurement of supplies of consumer goods are important limitations.

Co-operatives have been relatively more successful and competitive in the sector of financial services, particularly in micro credit, rural finance and insurance. Over the years co-ops have created a wide network of rural and urban financial services from village to tertiary level. Their success in attracting small entrepreneurs and common people to mobilise deposits to meet their business, economic and social needs is adequately registered in most of the countries of the region. Implementation of financial sector reforms calling for application of prudential norms to co-operatives financial services sector, is likely to further enhance the competitive strengths of such co-operatives. But it is also true that in future greater pressure will be mounted on co-ops, as the private sector enters into the areas and activities handled by co-ops hithertofore. The co-ops, therefore, need to formulate and implement a pro-active strategy not only to preserve and protect the patronage of their existing clientele but also to expand and widen it further by offering new products and services. Implementation of well thought out human resource management programs and management information system (MIS) will, therefore, assume an added significance for co-ops in future.

Co-ops, Finance and Globalisation

In terms of the competitive capacity of co-operatives in the context of globalisation, the common feature of Asian co-operatives (barring a few countries like Japan, Korea and China) is their emphasis on domestic business with an inward looking attitude. As a result, their share in the export basket of the country remains very insignificant, notwithstanding the very important role co-ops play, particularly agricultural, handicrafts and handloom co-ops in producing exportable items. Similarly, foreign direct investment in co-operatives is virtually absent in the region. The Co-op Trade Project implemented by ICA ROAP in the region nearly eight years ago had created a good deal of awareness among co-operatives about globalisation. However, the project was terminated and the process halted due to the lack of clarity in what the ICA role should be. In the near future, ICA ROAP proposes to promote International Co-operative Trade Network to promote co-op to co-op trade and business.

To succeed in a market oriented global economy, business enterprises need to muster resources, particularly capital, in order to strengthen their technology and managerial base. In this context availability of finance from an efficient financial system at a reasonable rate becomes crucial. In Asia, important sources of co-op finance are members equity and borrowings from financial institutions. However, in case of govt sponsored co-ops, the government have also contributed to the equity and have provided variety of financial support to co-ops. With the implementation of economic reforms the financial disengagement of the govt from co-ops has become a reality. This will put pressure on the members to mobilise financial resources of their co-ops.

Co-ops in Asia have created their own financial institutional network in the form of credit unions, credit societies and co-operative banks. However, these institutions do not possess requisite capability to meet the financial needs of co-ops in a global market. Only some countries e.g. Japan, Korea and India (only a few co-operative banks) have experience and resources to support co-operative globalisation.

Capital needs of co-operatives differ from enterprise to enterprise. While the requirements of primary co-ops may be small, those at tertiary level undertaking higher degree of value addition may require large capital. At primary level self-help group approach has shown a great deal of success in mobilisation of resources in a number of Asian countries. However at higher level inability of co-ops to tap capital markets due to restrictive co-operative laws and ideological perception continues to be a major constraint. Co-operatives, therefore, have to be more innovative in evolving effective financial instruments for meeting growing requirements of co-ops in a market economy without any erosion of their identity. Some of the steps that are being tried by co-operatives in the region are linking of members' equity with the extent of services availed, conversion of patronage dividend into equity shares, inviting non-member/non-voting shares, tapping capital market through issue of bonds, debentures etc, - establishment of subsidiaries/holding companies, adoption of consortium arrangements among willing co-operative banks to finance large co-ops etc. etc.

07. CO-OPERATIVES AND POVERTY REDUCTION

- Balancing Social and Economic Imperatives

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

Co-operative Values in the 2000s

The present form of Co-operative Movement is a product of people's initiative to tackle their economic problems during and after the industrial revolution in Europe. Though instances can be found where in some cases governments did provide financial support and assistance and other acting against the co-operatives, by and large, the role of government in Europe had been of either indifference, or at the most, benevolent onlooker. On the other hand in most developing countries in Asia the initiative for co-operative development came from governments and people's initiative was looked with suspicion by the imperialist governments. They tried to ensure that the co-operatives did not end up in the hands of people who were not of their liking or had any links with the national freedom movements. This changed the basic character of co-operatives in most developing countries and this tendency of trying to have control on the co-operatives continued even after the independence. The argument extended has been that if the governments provide financial support to co-operatives then they want to have a say in their management too. However, it is being realised and accepted more and more that the government support and assistance should not result in the change of basic character of co-operatives to the extent that they become pseudo-co-operatives. This was clearly expressed in all the Co-operative Ministers' Conference discussions which were organised by the ICA since 1990. However, the real challenge to all is how to implement what is accepted by all. In some cases efforts have been made by governments to review and revise the co-operative legislation and the related co-operative development policies. Governments still need to realise more and more that the co-operative institutions is a people's organisation and it has to be accorded rightfully that status.

The 27th Congress of the ICA recognised that co-operatives will face increasing difficulties in a world in which wealth continues to be concentrated in a few countries and in the hands of a few individuals in many of those countries; and in the face of the growing power and wealth of multi-national corporations run for the profit of the few, and declared that the highest priority should be given to i) the development of agricultural co-operatives to increase food production and raise the real income of primary producers;

ii) promote industrial co-operatives so as to increase productivity, reduce unemployment and a more equitable distribution of income; iii) the development of consumer co-operatives in ensuring their independence and democratic control by members; and iv) the creation of specialised co-operatives to provide a broad range of economic and social services.

In the wake of opening up of market under globalisation and following the adoption of Statement of Co-operative Identity (1995), Prof Ian MacPherson commented on 'evolving nature of co-operative enterprise' thus (1997): One of the common misconception held by many co-operators is that the organisational structures, business focus and institutional culture of co-operative organisations remain essentially unchanged over time.

Another is that co-operatives must be essentially the same regardless of the kinds of social and economic services they provided to their members. A more accurate picture is that co-operatives change in their structure, foci and culture as they adapt to changing member needs, new technologies, new management theories, the pressures of competition and government regulation.

In other words, co-operatives are always caught up in the "act of becoming" rather than in achieving the state of 'having arrived'. The continual process of change be disturbing to some co-operators: for example, those who envision the perfect or ideal co-operative; those who have a deep reverence for what the founders - by they the Rochdale Pioneers, Raiffeisen, Kagawa, Nehru or Plunkett - have left to us; and those who consider the principles more as injunctions rather than enabling directives.

Co-operatives in the Region appeared towards the close of the 19th century and beginning of the 20th century mostly as an initiative from the government with the objective of: i) providing economic relief to the basic producers; and ii) consolidating people, land resources and means of production. To achieve these objectives governments provided: i) legislation, policies and rules; ii) funds towards share and working capital; and iii) managers. The legislative measures were unilateral and which were to serve the rulers' needs. Funds were provided to make these co-operative organisations work - mainly to produce and procure grains and other items of general consumption, to serve as distribution channels for essential commodities, and managers (including the managing committees) were from among the government officials and people of political clout. The entire system of co-operative development was placed under the charge of the Co-operative Department. Many countries after achieving their independence made some revisions in the legislative and control functions depending upon the priorities of the rulers. The governments controlled the co-operative institutions as government-programme agencies. Co-operative leaders subsequently started asking for the application of Co-operative Principles and demands were made that the co-operative institutions be member-controlled and member-driven. Governments took the stand that since a lot of government funds were involved, co-operatives should also have some government controls, in the form of managers or nominated managing committees. The ethics of Co-operative Philosophy were eroded when members

gradually got pushed in the background and the economic affairs of these institutions were run solely by the government-appointed managers and boards.

The International Co-operative Alliance (ICA) and the respective national co-operative organisations exerted pressure on governments to ease government control on co-operatives. This situation prevailed in almost all countries of Asia-Pacific. The Government, realising that national economies cannot be run only by the government or government-controlled institutions, has started to encourage the co-operative sector to collaborate with the public and private sectors.

The importance of all three sectors was realised and consequently many governments in the Region, mainly due to the initiative of the ICA ROAP and with the co-operation of local co-operative leaders undertook extensive revisions and review of existing co-operative laws, policies and regulations. However, co-operative institutions still continued to seek advice and guidance from the government because the administration of co-operative laws and release of government funds were controlled by the government. They continued to follow government dictum.

Co-operative institutions, particularly the agricultural co-operatives, in countries like Japan and South Asian countries were promoted by the governments mainly to generate food for the people. These institutions grew from associations to co-operatives. While the Japanese agricultural co-operatives continued to improve their democratic and economic characters, in other countries governments continued to influence them by using remote controls. Consumer co-operatives in countries like India grew under centrally-sponsored programs mainly to distribute consumer goods due to widespread scarcity conditions.

Due to excessive controls exercised by governments on co-operatives a variety of apprehensions were faced by co-operative leaders and members alike. Some of these were:

- Are the Principles of Co-operation to be reserved only for theoretical discussions?
- Why should the co-operatives be blamed for non-participation of members in the affairs - economic and social - of their own co-operatives?
- Who should be held accountable if the performance of a co-operative is not encouraging?
- What could be the alternative source of funding for the co-operative if the government does not participate or is kept out of the co-operative activity?
- How to upgrade the government-controlled co-operative into a genuine co-operative and what should be the role of the government in the promotion of co-operative development? etc. etc.

To ensure that Co-operative Values and Principles of Co-operation are safeguarded and make the co-operative institutions respond to the changing environment of free-market and globalisation, co-operative institutions in the region have begun to adopt some of the generally-accepted business norms and ethics. These are:

- Member-driven and member-controlled co-operative institutions through a process of policy dialogue with the governments and institution of extensive member education, staff training and leadership development programs. Good examples are available from the Japanese, Korean and Indian Co-operative Movements where various instruments and fora are available to the members. Governments have revised co-operative laws and regulations, Movements have taken the initiative to diversify their own activities, raised funds from within the movements by creating co-operative-owned financial institutions, formed co-operative-owned private trading companies, established their own training and education institutions, and carried out extensive interaction with grass-roots members. Co-operatives are for the members, owned by them and operated by them. Government contribution/assistance flows as from a development partner.
- Concern for the community. Co-operatives are also actively engaged in social activities which benefit not only their members but people at large. Agricultural co-operatives and consumer co-operatives of Japan, for instance, have promoted women's associations and 'han groups' with the objective of satisfying the needs of members. Better-living activities which include home improvement, nutritional food, care of the aged, environment protection activities e.g., water testing, pollution control, reduced use of plastics, making use of the locally-available materials. Women's associations in Japan are known for their intensive activities aimed at enhancing the good-will of their co-operatives. These are informal groups operating outside the legal framework of their co-operatives and structured parallel to the organisation structure of co-operatives. Distribution of food items to the aged and taking care of them are the principal activities.

Health care and insurance programs of agricultural co-operatives are other important examples. In India, women's co-operative institutions or institutions run on co-operative lines like the SEWA (Self-Employed Women's Association) provide a variety of services to the members. These services include:

- Vocational training, banking, and distribution of consumergoods. Other co-operatives in India, for instance, the sugar co-operatives provide education and development opportunities to the members and their families through technical educational institutions, polytechnic institutions, health care, child/mother-care, bio-gas generation, plant nurseries and social forestry programs.

- Dairy co-operatives provide rural sanitation, animal care through elaborate animal husbandry programs besides extending vocational training.
- Training of Human Resources

Co-operative institutions in the Region happened to be significant employers as well. Almost all movements in the Region possess co-operative education and training structures which cater to the HRD requirements of basic members, co-operative leaders, and employees not only of the Movement but also of the government co-operative departments. In India, for instance, 350,000 co-operatives of all types employ nearly 1.5 million people. Under the banner of the National Co-operative Union of India there are many training institutions. They are, among others, the national level institute of co-operative management, 20 provincial level institutes of co-operative management, and about 80 junior level co-operative training centres where different levels of employees, government and movement, are offered a host of training programs of various durations. The Union also operates a member education programme through the network of provincial level co-operative unions under which various categories of co-operative members and leaders are trained in techniques of co-operative management. Other sectoral co-operative institutions have also their own in-house or off-campus training programs for their employees and members. Similarly, the Japanese Co-operative Movement offers specialised training and development programs through their own institutions. Of special mention are the agricultural co-operative, consumer co-operatives, insurance sectors and international training programs offered by the agricultural sector.

Although there is a training and development structure in the Region, yet the programs offered which happen to be inadequate and the facility utilisation which is low needs some attention to prepare the participants to take up the challenges faced by them. Course curricula and training material used needs extensive review. The methods and techniques being used for members' education in India, for instance, have also outlived their utility.

To assume that an infusion of education alone will propel basic members forward would be a fallacy simple because these basic members are handicapped because of lack of resources, limited risk bearing capacity and lack of influence and approach. Even in Japan it is becoming difficult for agricultural co-operatives to retain the interests of their members largely because the total concept of membership has undergone a sea-change due to free market and competition. Because of fast changing communication pattern and flow of market information members can decide where to sell their products - through the co-operative or in the open market, and if they can get better prices in the market why should they patronise the co-operatives. There is, however, a flaw in this concept. Members do get additional services from their co-operatives which they may not get from the private trader. Such concepts are missing in the contents of current education and training programs, and such contents are necessary for strengthening the bonds of relations between the members and the co-operatives.

Some efforts have been made by movements in the region to emphasise management development among co-operatives by instituting special programs e.g., business management programs (by India at its national institute, co-operative training centres in the Philippines, China), computer awareness and application programs (India, Malaysia, the Philippines and Sri Lanka, China), in-service management development programs (Japanese agricultural and consumer co-operatives). Specialised technical education courses are also offered by some of the co-operatives (MBA programs by some of the Indian sugar co-operatives). Co-operatives at their primary level also, in almost all the countries, have conducted one to three-day education programs for members and committee members. Some of the co-operative training institutions offer formal degree/certificate or diploma training courses for employees (India, Malaysia, the Philippines, Indonesia, Sri Lanka, Pakistan, Myanmar, Bangladesh). Most of these HRD activities are financed by government contributions through grants-in-aid barring a few exceptions. Looking at the total number of co-operatives in the Region (almost 450,000) and the total co-operative membership (around 500 million) the co-operative education and training programs and facilities are far from adequate.

The human resource development efforts need to be augmented so as to improve the quality and quantity of these co-operative institutions so they can face the forces of competition in the open market environment.

As things stand today, pragmatism and competition are going to be the order of the day. Everyone has to compete in the market and only the efficient and responsive ones will survive. The co-operative sector should, therefore, reorient and readapt its functioning to meet the challenges of the new situation. Well-informed members and leaders and properly qualified managers are needed to take right and quick decisions.

Building Social and Political Capital

Co-operatives are legal entities with social and economic contents. Almost 60-65% of co-operatives in the Region are agriculture-oriented. Almost 300 million of co-operative members in the Region are connected with agriculture directly or indirectly. They are either the direct members or casual/seasonal farm workers. A majority of members and workers belong to economically-weaker sections of the society. A large number of people are engaged in agro-processing activities and distribution of farm products. Co-operatives thus have the status of a large employer. Almost 60-70% of the food produced in the Region comes through the co-operative channels. The importance of agricultural development in Asia and the Pacific is irrefutable. Food and agricultural production generate supplies, income, and solid basis for overall economic growth. Many countries, however, and regions within other countries, have little potential to produce food required for the needs of their growing population.

Food security is affected by population growth, poverty, deforestation, environmental degradation, overfishing, refugees, climatic changes, concentrated resource ownership and/or management, and disease. Population growth is probably the single most important global trend influencing food security.

Well over 800 million people are facing food insecurity; almost 40,000 people die every day due to malnutrition. Food security is a fundamental prerequisite for maintaining the international order and socio-economic stability. Social and political stability also depends on the levels of food production and its availability. Due to various factors there has been a decreasing trend in food supplies. In addition to this, the means applied to produce food, its storage and distribution are traditional and outdated.

Farmers do not have sufficient economic capacities to upgrade farm mechanisation, harness water for irrigation, procure power for tube-wells, warehousing and distribution. Much depends on the resources that governments make available to agriculture. Farmers are poor and a considerably number of them remain below the poverty line throughout the region. Yet, the farmers have been able to demonstrate that enough food can be grown to feed the ever increasing population provided certain conditions are met e.g., irrigation, easy credit facilities, infrastructure and market potentials.

It is increasingly acknowledged that poverty is one of the main causes of undernourished. Access to food, not its availability, is the major cause of hunger throughout the world. 45% of the world's active population still workers in agriculture, yet the greatest number of people have found it difficult to feed themselves.

It has, however, been found that food producers and distributors and other co-operative players influence the following:

- Social and economic standing of members;
- Social order depends on food satisfaction levels;
- Satisfied members generate overall satisfaction at the family level which also influences the community as a whole;
- Social stability strengthens political stability;
- Co-operative institutions, which represent a group of households, help create social and political stability since these institutions are democratic and member-driven institutions.

Besides economic, co-operatives possess social and political capital. These are in the form of: members, employees, and general public (including men and women, rich and poor). Leaders, co-operative or political, emerge from out of the community.

Co-operatives often provide platforms for the leaders and workers to grow. Some of these leaders become charismatic leaders who transform the local conditions into

islands of success (dairy co-operatives and sugar co-operatives in India) and remain wedded to the ideals of co-operative activity. Some of them move into the political arena and become legislators. Since the roots of all leaders - co-operative or political - are within the communities, they cannot ignore the force and potential of the community members.

It is, however, a question of harnessing their positive potentials to the advantage of co-operatives. Co-operatives are therefore the best schools for education and development of leaders and most suitable to cultivate them to be used as their capital. Agricultural co-operatives in Japan and India achieved their unprecedented successes mainly due to the work done by local leaders in holding the members together, identifying for them the food they should grow, helping them in locating the proper marketing channels, enlisting the support of the governments to make changes in policies, creating in them a sense of belonging to their co-operatives and encouraging them to remain in their professions.

India's IFFCO (Indian Farmers' Fertiliser Co-operative Limited - the world's largest producer of urea) provided leadership to the Indian farmers in the application of fertiliser and diversifying IFFCO's activities in the service of members, the grassroots farmers. The IFFCO has given birth to other institutions e.g., Indian Forestry Development Co-operative Limited which is responsible for creating social forestry infrastructure and helping rural people to generate additional income through working on environment-related programs. Similarly, the Japanese consumer co-operatives and the agricultural co-operatives have been able to hold their members together through adoption of 'value addition through agro-processing', 'one village-one-commodity', better-living activities and securing the interests of farmers through insurance programs. Through the social activities good-will of co-operatives is retained and members remain together to serve their interest through the activities of their co-operatives e.g., timely-credit, better marketing outlets, better market information systems, better linkages with the private trade, etc.

To improve and to further develop social and political capital, it is necessary that co-operatives invest more and more in human resource development and market information activities. Farmers who may be poor but are the most intelligent people who are able to satisfy the needs of the community through their bare hands and with the least mechanisation and infrastructure.

Building Access to the Means of Production (including micro-credit)

Barring Japan, Korea and to some extent in India, means of production, especially in the agricultural sector, have been rather traditional. Even in the agro-processing sector, co-operatives except in Japan, have played a low-key role. The key to the success of agricultural co-operatives in Japan has been value-addition through agro-processing. In India, in some pockets of success, co-operatives have succeeded through value addition. This is particularly true of dairy co-operatives in India where farmers were provided with technical information through a network of extension workers and development of local leaders.

It has been found that in the Kaira District of Gujarat, dairy farmers were able to increase milk production by 50-70% by adopting simple means e.g., animal care, balanced cattle-feed, rural sanitation, education of women, improving the breed of local cattle.

Similarly, food production in India, Indonesia, Thailand, Vietnam went up through application of very simple means e.g., balanced fertiliser application, pest control measures by using local materials, bio-fertiliser, locally-developed quality seeds, simple farm machines and by adopting simple post-harvest technology.

The regional experiences indicate that the farmers need access to the following means to increase production:

- Better quality seeds and farm chemicals;
- Timely supply of chemical fertiliser at cheap price;
- Easy credit;
- Effective access to market;
- Dependable supply of water for irrigation and power;
- Intensive and extensive farm extension services;
- Market information; and
- Opportunities for adding value to produce.

It is, of course, impossible for the individual farmers to harness all these services because of their unsatisfactory economic situation. In the case of Japanese farmers, they have been able to afford, thanks to the subsidies provided through agricultural co-operatives, a host of farm machines and farm-related infrastructure e.g., country elevators, paddy incubators, agricultural experimental stations etc. Government have to come forward to develop related infrastructure and to provide for adequate incentives and resource supplying institutions. Governments are to ensure that proper and sufficient credit facilities are created for co-operative members and others. It is expensive for the members to obtain loans from the commercial banks at prevailing market rates. And the co-operatives do not have sufficient funds for themselves to extend the needed loans.

The co-operatives, in order to provide opportunities for the members to have access to the means of production should:

- Mobilise capital from their internal resources by soliciting deposits and by offering the depositors the prevailing market rates;
- Create own financial institutions in the form of co-operative-owned companies;
- Enter into joint ventures with domestic or foreign private enterprises (thus solving their capital and marketing problems);

- Enter into joint purchasing, joint-use facilities and joint marketing activities among themselves or with other enterprises;
- Ensure that small or poor members get small credits to continue with their profession.

Co-operatives are encouraged to establish and operate rural banks in association with larger banks, and preferably using their own resources, to meet the needs of small traders/workers and marginal farmer-members (such as the KCK in Indonesia, Loans for Marginal farmer-members in India).

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Corrections and refinements of the first draft are necessary in the process of consolidation with the Canadian draft Status Report.

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