

Robby Tulus

BACKGROUND PAPERS

FOR THE

REGIONAL CONSULTATION ON COOPERATIVES-GOVERNMENT
COLLABORATIVE STRATEGIES IN THE ASIA PACIFIC REGION

APRIL 17 -22. KUALA LUMPUR, MALAYSIA

334:350(595)
ICA:



INTERNATIONAL CO-OPERATIVE ALLIANCE
REGIONAL OFFICE FOR ASIA AND THE PACIFIC

'Bonow House', 43 Friends Colony (East)
New Delhi 110 065, India

ICA Library



ICA 02247

BACKGROUND PAPERS
FOR THE
REGIONAL CONSULTATION ON COOPERATIVES-GOVERNMENT
COLLABORATIVE STRATEGIES IN THE ASIA PACIFIC REGION

April 17 -22, Kuala Lumpur

TABLE OF CONTENTS

	Pages
I. About the Paper	1-2
II. Background Paper - I Government-Cooperative Relationship A Review of the Sydney and Jakarta Conferences Dr. R.C.Dwivedi	3-15
III. Background Paper - II Co-operative Competitiveness: The Foreceful Challenge of Market-Oriented Economy Robby Tulus	16-30
IV. Background Paper - III Regional and International Coordination	31-34
V. Notes	

BACKGROUND PAPERS

FOR THE

REGIONAL CONSULTATION ON COOPERATIVES-GOVERNMENT COLLABORATIVE STRATEGIES IN THE ASIA PACIFIC REGION

April 17 -22, Kuala Lumpur

1. ABOUT THE PAPERS

1.1 **Background Paper I** recapitulates briefly the recommendations of the Sydney (1990) and Jakarta (1992) Conferences of Ministers, in-charge of Cooperative Departments in the Asia and the Pacific Region, with the view to establish a coherent link with the Colombo Conference scheduled for July, 1994. It also presents an analysis, and a synopsis, of the responses to ICA ROAP's questionnaire, and deliberations held at various national and sub-regional meetings on this subject in the region.

Background Paper II addresses the important issue of **Co-operative Competitiveness**, which issue was aptly identified during the Jakarta Conference in 1992. This paper attempts to analyse the socio economic situation in the region, to promote an understanding of the challenges posed by the current waves of market-oriented economies, and to provoke deeper thinking on the search for innovative strategies, through which co-operatives can brave the rising competition from the private sector in a most effective way.

Background Paper III is a conceptual document on the proposed Co-operative Forum entitled "The **COLOMBO DECLARATION**". This document will be proposed to the Regional Consultation for their deliberation and consensus, and be recommended to the Co-operative Ministers' Conference in July 1994 for their approval and ratification.

1.2 The intent of all three Background Papers is essentially to stimulate rich discussions at the Regional Consultation so as to arrive at a common understanding about current co-operative realities in the Asia Pacific region, and to seek innovative and common solutions.

As such, in a bid to put this paper into the right perspective, the contents of these Background Papers will be weighed against facts and statements from participating organizations at the Regional Consultation. A synthesized document, including all recommendations reached at the Consultation, will then be produced for its formal submission to the Third Co-operative Ministers' Conference in Colombo.

1.3. These Background Papers have been produced through the joint efforts of **Dr. R.C. Dwivedi and Mr. Robby Tulus**, under the overall guidance of the Regional Director of ICA ROAP. Dr Dwivedi is a former Chief Executive of the National Co-operative Union of India (NCUI), and presently Officer-on-Special Duty to the Minister of Agriculture, Government of India, who had assisted ICA ROAP in the two preceding Conferences. Mr. Robby Tulus is Senior Policy Advisor of ICA ROAP, and formerly Asia Regional Director of the Canadian Co-operative Association, who also participated actively in the two preceding Conferences. General guidance was rendered by the Regional Director of ICA ROAP, Mr. G.K. Sharma.

In joining their efforts, Dr. R.C. Dwivedi has concentrated on Background Paper I, Mr. Robby Tulus on Background Paper II, and Mr. G.K. Sharma on Background Paper III.

BACKGROUND PAPER - I

GOVERNMENT-COOPERATIVE RELATIONSHIP

A review of the Sydney and Jakarta Conferences

R.C. Dwivedi

1. RESUME OF SYDNEY & JAKARTA CONFERENCES OF COOPERATIVE MEMBERS

1.1 Sydney Conference

All participating Governments and cooperative leaders recognised **cooperation** as a potential instrument or method for economic development, hence cooperatives have been extensively used in the national strategy for economic development. However, the consequence has been that State assumed for itself the responsibility to develop cooperatives in various segments of economy as instruments for attaining social and economic development. The Government provided financial and other assistance to accelerate growth of cooperatives. The involvement of the Government has been so explicit, pervasive, and deep, as virtually making cooperatives akin to Governmental organisations. Resultantly, members lost their interest, becoming merely passive receivers of services with little or no stake in the society. Cooperatives lost their genuine character in many countries. This situation became a matter of international concern. Certain guidelines were provided by ILO vide their recommendation No. 127 of 1966. Governments involvement, in short, accelerated the physical growth of cooperatives, but brought in several distortions by eroding the basic ingredients and characteristics of cooperatives.

1.2 Being concerned with the philosophy and genuineness of cooperatives, the ICA Regional Office for Asia and the Pacific countries in New Delhi, took note of the increasing control being exerted by Governments over cooperatives and hence considered it necessary to draw the attention of the Governments towards the adverse effect of this situation. Subsequently, ICA ROAP considered it important to develop a pattern of Government cooperative relationship through which members will be provided the freedom to run their cooperatives democratically -

in conformity with the internationally accepted Cooperative Principles - while assistance from the Government could still continue. This became the genesis of convening a Conference of the National Ministers, In-charge of Cooperative Development, in the Asia and the Pacific Region, by ICA ROAP, at Sydney in 1990. The outcome of the Sydney Conference was a commitment on part of the participating countries to review their respective Cooperative Laws, with the objective of liberalising them and make them more democratic and member-oriented. This was done through a number of recommendations and the approval of the "Sydney Declaration". It was a commitment aimed at giving a new direction and orientation to the Government-cooperative relationship and thus to build a cooperative friendly environment.

1.3 Jakarta Conference

The Jakarta Conference of Ministers in charge of Cooperative Development met in 1992 to follow-up on the Sydney commitment. During the interim period cooperative movements organised National Workshops in various countries of the region in collaboration with the ICA Regional Office. The Jakarta Conference commended the results of the intensive follow-up actions undertaken by the ICA, including its constant contacts with the Government and the cooperative movements. This had resulted in the emergence of a new and positive environment for the cooperatives in the region. The Conference took note of the measures taken in different countries to amend or replace the existing cooperative laws, so as to incorporate the spirit of the Sydney Conference. The Sydney Conference had also adopted one significant recommendation, inter-alia, that the ICA should design a model of Government-Cooperative relationship so as to "combine basic values, socio-economic objectives and competitive strength of cooperatives". The Jakarta Conference (1992) reviewed the implementation of Sydney Conference and, in turn, made subsequent important recommendations.

1.4 Follow-up of the Jakarta Conference Recommendations

Replies to the questionnaire reveal that recommendations brought up by the Sydney and Jakarta Conferences have not been implemented in a consistent manner. In other words, the implementation varied from country to country.

1.4.1. In Fiji, most of the recommendations were in the process of implementation. The review of the Fiji cooperative legislation had been undertaken by the ILO. The new legislation will give greater autonomy to cooperatives to run their own affairs according to what is deemed appropriate by members. The law incorporates a code of conduct for elected office bearers and members of the board. As a response, the cooperative movement has stepped up educational publicity and intensive campaign program to educate the members and general public about the socio-economic

objectives of cooperatives. A 10 Year Co-operative Development Policy paper has been developed jointly by the cooperative leaders and government officers. This policy paper incorporates most of the recommendations of the Sydney and Jakarta Conferences.

1.4.2 In India, amendments to the cooperative laws are being followed up by the Government of India. The Union Government has advised the State Governments to amend their respective co-operative laws and remove provisions which are restricting and controlling, inasmuch as cooperation in India is a State subject. A new Multi-Unit Co-operative Societies Act is in the process of adoption by the Parliament. New schemes are in the process of finalisation, e.g. the organising of women's cooperatives aimed at their socio-economic betterment, whereas existing schemes for assistance to the weaker sections are being further strengthened by enlarging their scope and giving more financial assistance and autonomy. The contents of education and training courses are being reviewed in consultation with the user/beneficiary organisations, to meet the requirements of the time. Structural changes are being contemplated to make the movement more effective. A National Cooperative Bank of India has been registered, which was a long standing need of the cooperative structure.

1.4.3 Since the Jakarta Conference in 1992, Indonesia has made a number of fundamental moves to improve its co-operative legislation in order that co-operatives in the country can be more responsive to the global trends in the world economy. The new Cooperative Law no. 25/92 was thus enacted to replace Law no 2/1967. The new law provides as wide an opportunity as it is possible for co-operatives to organize and manage themselves (principle of subsidiarity). Moreover, the new law emphasizes the concept of co-operatives as a business entity which calls for professionalism and efficiency in management without necessarily eroding its social character.

Subsequently, the outlines of the State Policy of 1993 provides directives to the Fifth Five Year Development Plan (1994-1999) to elevate the role of co-operatives towards the attainment of full-fledged self-reliance. The concept of self-reliant co-operatives is represented by three basic qualities : a. managerial competence in utilizing available resources and opportunities, b. capability of co-operatives in enhancing members' productivity, and increasing value added results in optimizing the available resources, c. ability to motivate the people to join the co-operative movement with a true sense of belonging and ownership. These three basic qualities will provide the framework for co-operatives, particularly the KUDs, to become fullfledged self-reliants business entities.

Lastly, the general policy of co-operative development in PELITA VI (Fifth Five Year Dev. Plan) provides the necessary encouragement for co-operatives to take their

own initiatives and increase their competence and participation, particularly for small entrepreneurs, in order to build their organizational strength and business acumen.

1.4.4 In Japan, the Law of Agricultural Cooperatives was revised in May, 1992. Changes are in relation to : i) expanding business function of cooperatives; ii) solidifying the management control system; and iii) promoting consolidation of organisations of agricultural cooperatives.

1.4.5. As a follow up of the Jakarta Conference of 1992, the Malaysian government, through the Department of Co-operative Development, has vigorously embarked on a policy of legislative reform and a refocus of its ongoing support for the healthy growth of the co-operative movement in tandem with the total government policy of 'growth with equity' as contained in the Second Outline Perspective Plan, and translated for action in the Sixth Malaysia Plan in support of the national goals in the vision 2020.

In support of the vigorous and strong assistance to the movement, various measures have also been adopted with the other supporting institutions to the movement, such as ANGKASA and the Co-operative College of Malaysia, which culminated in the Malacca Declaration in defining a more integrated approach in collaboration and support of the co-operative movement.

A new Co-operative Act 1993 was enacted with the aim to create a self-reliant and self-regulating co-operative movement through the enhancement of accountability and transparency in its management. It also emphasizes members' supervision through the annual general meetings by way of a more informed and educated membership.

The enactment of this more comprehensive legislative framework governing the affairs of the co-operative movement was vigorously followed through by the Department of Co-operative Development through its enhanced extension program to explain the purpose of the new law which include, among others, the enhancement in accountability and transparency in co-operative management. At the same time, the Department also embarked on the introduction of quality management in co-operatives by giving emphasis on the importance of specific management improvements in regard to accounting controls, members' affairs, and better investment management. These measures taken by the Department are considered extremely important in order to ensure and strengthen the very fabric of management in the movement.

1.4.6. In Myanmar, a new co-operative law has been adopted which recognises co-operatives as democratic, autonomous institutions. However, in view of the socio

political situation in the country, it will take some time to make the law fully effective and operational.

1.4.7 Nepal also has a new co-operative law and a newly established National Co-operative Federation, which has been under consideration for more than a decade has finally been registered. With the enactment of the Co-operative Law of 1992, a National Co-operative Federation was formed on June 20, 1993. A new impetus emerged as co-operative development is given prominence in the government eighth year Development Plan. This Eight Plan aims at extending support to accelerate the social and economic development of especially deprived classes of people in the rural areas through the promotion and development of democratic co-operatives at various levels at people's own initiative and their active participation. It provides the opportunity for co-operatives to be more independent and autonomous since co-operatives can participate according to their members' need and aspirations in augmenting local economic activities in support of the national economy.

1.4.8 In Pakistan, recommendations of the Sydney and Jakarta Conferences could not be implemented, reportedly because of intense political activities in the country and also because of low priority being given to cooperative development. Consequently, the cooperative law has not been amended. Instead, it has been reported that the regulatory control of the Registrar has been made a little more stringent.

1.4.9 In Thailand, a new amendment to the Co-operative Societies Act B.E. 2511 (1986) is in process. The Ministry of Agriculture and Co-operatives has set up a working group composed of representatives from the co-operative movement and from the government department. The major proposal for the amendment includes (a) the provision for the establishment of the Co-operative Development Committee to function as a policy making body at the national level, (b) the provision to admit youth and juristic persons to participate in co-operative activities, (c) the provision for a co-operative to invest in larger co-operatives or buy promisory note from a finance company, (d) provision to authorize the registrar to cancel a resolution of the AGM should it violate the co-op law, by-laws or regulation, (e) a provision for a co-operative to be divided into several co-operatives on the request of members of not less than 100, (f) a provision to abolish the nomination of committee members of the Co-operative League of Thailand by the government.

The purpose of the amendment is to promote the Apex organization of the co-operative movement to become more independent and eliminate the intervention by government.

1.4.10 In Vietnam, a new co-operative law has been drafted with the assistance from ICA ROAP and is expected to go to the Parliament during the current year. The draft

law covers all types of co-operatives and recognises co-operatives as a fully democratic and autonomous institution.

1.4.11 Legislative reform is a continuing process. Its nature and direction has to change according to the situation and developments in the Government policies, stage of the cooperative movement itself, developments in the rest of economy etc. However, for the healthy growth of cooperatives it becomes necessary that the Jakarta recommendations be reviewed periodically by the national Governments/ Movements.

2. BACKGROUND OF THE COLOMBO CONFERENCE

2.1 The Conference of Ministers responsible for Cooperative Development of Asia and the Pacific region at Colombo has a different background in view of the changing economic scenario in the region. With the fall of centrally planned economies of Eastern Europe, and the disintegration of erstwhile U.S.S.R., the trend is towards greater, if not absolute, market-oriented economy. It implies freedom from Government regulations and direction in the matter of investment, production, distribution, development of infra-structure to provide services, greater role of private initiative as against Government etc. The basic assumption of this change is the Adam Smithian theory that the Government is incompetent to run economic enterprise/ activities, because individual's self-interest is the basic motivating force behind each economic enterprise and the State/Government has no self-interest as such of its own. True it may be, but in the present situation the concept of laissez-faire economy of the 19th century is out of assumption in any country. Free economy also implies linkages of national economy with international markets and Tariffs and trade restrictions to be liberalised so that the international trade becomes more easy. Liberalisation has become necessary for every country whether it likes it or not, because no nation can develop itself in isolation to achieve the self-reliance for everything. International influence and impact have become inescapable. The assumption is that the market based economy attracts foreign investments; it also facilitates multi-nationals to enter various national markets. Thus, the process of economic development would be accelerated and new economic activities would be generated to provide additional employment opportunities. What is the situation of economy in various countries in the Region?

2.1.1 The economic liberalization process in Bangladesh is moving rather slowly. However, the government of Bangladesh have given emphasis on the co-operative institution in the implementation of socio-economic development projects. A national co-operative policy has been formulated with specific objectives, with the following basic fundamentals:

- i) Structural adjustment for extension services to formation of co-operative societies.

ii) Institutional arrangement for extension services to formation of co-operative societies.

Thus, a new environment for the economy is being developed in various countries in the region. These changes naturally have their own implications.

2.1.2 In Fiji, there has been no change in economic policies.

2.1.3 In India, the Government has initiated far reaching economic reforms to liberalise/deregulate the economy, so as to allow greater and freer play of market forces. This has been done through a new industrial policy (July 1991), Foreign Trade Policy and budgetary measures.

The main objectives of the reforms are:

- To build self-reliance.
- Encouragement of Indian entrepreneurly promotion of productivity and employment generation.
- Development of indigenous technology through greater investment in R & D and bringing in new technology to help Indian manufacturing units attain world standards.
- Removing regulatory system and other weaknesses.
- Increasing the competitiveness of industries for the benefit of the common man.
- Incentives for industrialisation of backward areas.
- Ensure running of public sector undertakings on business houses and cut their losses.
- Protect the interest of workers.
- Abolish the monopoly of every sector in any field of manufacture except on strategic or security grounds.
- To link Indian economy to the global market, so as to acquire ability to pay for imports and to reduce dependence on aids.

To achieve the above objectives, practice of licensing has been abolished for all industries except for 18 industries on ground of defence needs, social reasons, posing health and environmental hazards and manufacture of luxury items. There will be no licensing of industries which have the availability of foreign exchange by means of foreign share capital; also for those requiring a maximum of Rs.20 million for imported capital goods; there will be no licensing for expansion of existing units, and for foreign investments to the tune of 51% in the joint ventures in the country; there will be liberalisation of Foreign Exchange Regulation Act, privatisation of public sector undertakings, centralisation of weak commercial banks, reduction in

public expenditure, curtailing of government assistance, etc. Infra-structure will be built to provide the needed services and facilities. These steps have opened the economy for the foreign investment in industries, commerce and infra-structure.

2.1.4 The economy of Japan is presently facing serious depression. Strong Yen has further aggravated the sufferings of exporters. Economic regulations have been relaxed, interest rates have been lowered and reduction of taxes is under consideration. Big structural changes have occurred in the economy as a result of market depression.

2.1.5 In Republic of Korea, the Government has launched a "Five Year New Economic Policy". The main directions are:

- Economy led by the autonomous participation of private sector and not by the Government drive.
- De-regulation of the business activities of the private companies.
- Realisation of social justice.

2.1.6 In Nepal, the government has adopted the liberalized economy. Under this system the private sector is encouraged to invest capital in any sector, to be competitive; to determine the price of competitive commodities and services and to solve its problems without government interference. The National Co-operative Federation of Nepal felt that the recommendations from the Jakarta Conference is very much applicable to increasing the competitive strength of co-operatives. The ADB (~~Asian~~ ^{Agricultural} Development Bank) has virtually stopped the provision of loan to co-operatives. The new policy states that loans will only be issued to co-operatives if there is adequate collateral against the loan. Most of the co-operatives have no assets i.e. immovable property and due to the same reason they have not received loans from ADB for any purpose after the economy has been liberalized, be it for agricultural production, fertilizers, consumer goods, marketing & processing, handicrafts production, etc. The Nepal Food Corporation (NFC) which is responsible for the procurement and supply of foodgrains to the deficit areas, has given the opportunity to co-operatives to collect foodgrains without giving any preferential treatment with regard to business conditions. The Agricultural Input Corporation (AIC), which is a parastatal organization, has also adopted a policy of dealership that is open to all, irrespective of co-operatives or private dealers. It opens the door for stiff competition between the co-operatives and the private traders.

2.1.7 In Pakistan, the Government has greatly liberalised its economic policy in order to encourage the development of the private sector. As a result, the private sector enterprises have rapidly grown in number and size, while the size of public sector has greatly been reduced. The specific steps taken by the Government are:

- (a) Deregulation of control over all types of industrial and commercial enterprise;
- (b) Public sector enterprises are being converted into private companies.
- (c) Foreign exchange control has been softened and citizens can open foreign exchange accounts and operate them freely.
- (d) The policy of requiring permission from Government to set up new large units has been withdrawn except in a small number of cases.

2.1.8 As a result of the above measures, the economy has become largely market oriented and the stock market for the purchase and sale of shares has become very active. Ten new Banks have been permitted to be set up in the private sector. The co-operative movement in Pakistan, however, has had no challenges to face from outside. It is almost entirely an agricultural movement and liberalization of the economy does not affect it in any way. The real challenge from the movement is from within.

2.1.9 In Singapore, the trend is towards privatisation. The Taxi Drivers Co-operative "COMFORT" has been recently converted into a joint stock company. Statutory Boards (S. Telecom, MRT, PUB, etc.) are also being privatised.

(An analytical Review on "Co-operative Competitiveness and the Forceful Challenges of Market Economy" is presented in Background Paper II).

3. MANAGEMENT COMPETENCE

In the Asia-Pacific region there is no uniformity in the pattern/power structure in the cooperative management, even though a broad similar framework does exist.

3.1. The following examples in selected countries in the Asia Pacific Region attest to the vast diversity:

3.1.1. In Fiji, the new cooperative legislation provides a pattern of management for cooperatives. Cooperative Chairperson is voluntary. The paid Chief Executive is accountable to the Board and the Chairperson. There is no interference by the Chairperson in the day-to-day operations of organisation. In the event of conflict between Chairperson and the Chief Executive, the Registrar of Cooperative Societies is called upon to mediate in the conflict. A cooperative employee can be member of the employer cooperative and can contest for election as office bearers. In Fiji, cooperative legislation incorporates a code of conduct for elected officer bearers and the members of the Board.

3.1.2 In India, the Cooperative Laws provide a broad pattern of management of cooperatives. The pattern defines the powers and functions of General Body of members, Board of Management or Managing Committee and Chief Executive. The

General Body elects the board of management. The board of management elects the Chair-person and other office bearers and also appoints the Chief Executive. The Chairperson is an honorary office bearer and his powers and functions are defined in the bye-laws of the respective cooperative societies, which may differ from cooperative to cooperative. The Chairperson, however, has overall control and supervision over the society. The powers and functions of Chief Executive are also defined in several cooperative laws. Conflicts between the Chief Executive and the elected Chairperson occur, when either Chairperson/President or Chief Executive attempts to enter the jurisdiction of each other, or when there is lack of mutual trust in each other. These conflicts are resolved either through mutual discussions or at the meeting of the Board of directors. There had also been cases where courts were approached for decision. An employee cannot become a member of employer society; hence no question of contesting for an election.

In India, the National Cooperative Union has formulated a comprehensive code of conduct for the primary cooperatives, members of cooperatives, Board of Directors/ Cooperative leaders, cooperative federations, and also guidelines for Registrar of cooperative societies, the Government etc. The objective is to ensure greater autonomy for self-reliance within the cooperative sector. The Code of conduct has been accepted by the Indian Cooperative Congress, which is the highest forum of the Indian cooperative movement that has the responsibility of recommending broad policy guidelines. However, the code is yet to become operative at any level.

3.1.3 In Japan, the Administrative Authority has drawn up a set of model articles for cooperatives. The President is a full time paid office bearer. He represents the member cooperatives and supervises the business. Chief Executive assists the President.

3.1.4 In Pakistan, the cooperative law does not provide any pattern of management of cooperatives. There is only one office of the President/Chairperson, who is honorary and presides over the meetings of the managing committee. In smaller societies he is also the Chief Executive. There are not many cases of conflict between the Chief Executive and the President as the latter is normally a person of higher social status and political influence. An employee cannot become member of the employer society and, therefore, there is no question of an employee contesting for an elected office.

3.1.5 The Singapore Cooperative Societies Act has more than a dozen sections dealing with management. The President is an honorary member exercising advisory and supervisory role over the management of the society with no financial responsibility or liability. The Chairperson normally answers to the general assembly and the members, whereas the Chief Executive answers to the Executive Council or management committee of the Board.

3.2 It is of little importance as to what is the structural framework of management. Of crucial importance is that there should be smooth functioning of the society's management. The requirement for smooth functioning is the existence of mutual faith and confidence among the various honorary office bearers and the paid management. In the absence of mutual faith, even the provisions in the law cannot be of much use. Another important and necessary requirement is that there should be a clear demarcation of powers and functions that do not cross over each others jurisdiction. Another very significant element of management is accountability, which in most cases is missing. Without accountability a sense of responsibility does not develop and, therefore, distortions do occur in the management. For smooth functioning of management and placing of accountability/ responsibility it is necessary that there should be a code of conduct for each authority, as recommended by the Sydney and Jakarta Conferences.

3.3 The view of National Agricultural Cooperative Federation of South Korea in regard to a code of conduct is that it should stress trustworthiness, make better services for members, and to have no intervention in the detailed management.

3.4 There is a felt need in Pakistan for a code of conduct for the non-official members of the board, because of the fact that the cooperative movement has become overly politicised. The elected Chairpersons/ Presidents of cooperatives are in most cases politicians who tend to take political advantage of their position. It is absolutely necessary to discourage political exploitation of cooperatives. The National Union of Pakistan has suggested to the Provincial Governments to make a rule to the extent that no person who is, or becomes, a Member of the national or a provincial Legislature should be a member of the managing committee of a cooperative society.

3.5 Timely audit is a must to know the overall position, particularly the financial position, of the enterprise. Many of the ills and shortcomings are creeping up due to delayed audit. In some countries, audit is the responsibility of the Registrar of Cooperative Societies or some other Governmental Department and not of the Societies themselves. The backlog of audit accumulatively increases. In some countries, there is a provision of Audit and Central Committee elected by the General Body. In others, it is left only to the Cooperative Department. In the past there used to be a practice in India to appoint/ constitute an auditor or audit committee. It was a healthy practice.

3.6 This may be considered for revival/adoption where it is not in vogue presently. Furthermore, Cooperatives audit should be comprehensive, including social audit and ideological performance audit. This will help in improving the image and goodwill of cooperatives.

3.7 The ICA ROAP, New Delhi, has conducted a detailed study on management patterns, powers and functions of office bearers / chief executives in various countries in the region. The study has raised certain basic issues viz. what should be the role of the Government in the management of cooperatives; what should be the nature of instrument of governance; what should be the checks and balances to ensure sound management of cooperatives; what should be the broad contents of code of conduct to ensure proper functioning of cooperatives; how best to professionalise the management without reducing the role of honorary cooperative leaders / office bearers; how best to ensure promotion of values and combination of socio-economic objectives along with competitive strength etc. Each country may review its managerial framework and power structure, keeping in view the changing economic environment. This is very essential.

3.8 To conclude, the Asia Pacific region has a tremendously vast scope for cooperatives to play their prominent role in development, even in the situation of open market economy. But cooperatives will have to change their work culture without loss of time to develop strength in order to face the numerous and mounting challenges. With greater managerial, structural and business efficiency and support of members, co-operatives can be in a competitive position to their counterparts in the private sector. The impending need is to have greater conviction, commitment, cohesion and dedication.

4. COOPERATIVE FRIENDLY ENVIRONMENT

An important requirement for a strong cooperative sector is of favourable environment for cooperative development. This is what was recommended with great emphasis by the Sydney and Jakarta Conferences. It includes the constitutional recognition of cooperatives, legal environment which have democratic and progressive cooperative legislation providing for free decision-making by the members; support of other legislations, and enforcement and administration of cooperative laws by committed officials both in the Government and in the movement. The other aspects of a friendly environment are (a) political environment (commitment of political parties and the party in power to the development of cooperatives), (b) administrative environment (no administrative hurdles in the cooperative formulation and working), and (c) infrastructural environment (availability of the required services for conducting their business). Efforts are being made in most of the countries to improve the legal environment by amending the cooperative laws. However, the other elements required for friendly environment much has yet to be done.

5. Out of the above analysis the following broad issues may be discussed:

- * Implementation of recommendations of the Sydney and Jakarta Conferences - factors hindering the implementation;

- * How to make cooperatives member-oriented and member accountable;
- * Steps to develop a genuine cooperative system; and
- * Measures necessary to modernise cooperatives so as to increase their competitive strength.

BACKGROUND PAPER - II

CO-OPERATIVE COMPETITIVENESS :

THE FORCEFUL CHALLENGE OF MARKET-ORIENTED ECONOMY

Robby Tulus

1. FROM CRITICAL AWARENESS TO PRACTICAL SOLUTION

1.1. The Jakarta Conference in 1992 adopted meaningful recommendations regarding the need for both the government and co-operatives to enhance the competitive strength of co-operatives. It emphasized the specific role of the government to formulate suitable fiscal and kindred policies which are enabling, hence creating the right environment for co-operatives to strengthen their competitive strength and to withstand competition in the market. The role of the movement, on the other hand, should be to strengthen their vertical and horizontal integration by actively exercising the principle of "Co-operation among Co-operatives".

1.2. There is little doubt that the Jakarta Conference was critically aware of the need for co-operatives to strengthen their competitive position, since it corresponds favourably to the basic values and socio-economic objectives of co-operatives. No less that President Soeharto in his Inaugural Address mentioned that "the process of globalization will have considerable impact on our national economies. The competitive edge of the developing countries is not strong enough to enter this process. We have to boost and generate people's economic potentials. This can best be achieved through, among other things, the co-operative movement". Other presentations, and discussions, during the Jakarta Conference considered the manifestation of market economy more as an opportunity, and some even considered it as a momentum, for so long as co-operatives can demonstrate their capacities to become more independent, democratic, and autonomous, and can also assert the rigour of professional management within a favourable legislative climate. An analysis on the latter is well elucidated in **Background Paper - I**.

1.4. The Jakarta Conference was clearly an important milestone which awakened and moved cooperators to begin addressing the fundamental issue of co-operative competitiveness and the Market Economy. While a critical awareness was promptly

developed as a result of the Jakarta Conference, it was incumbent upon the ICA ROAP to follow it up swiftly by addressing this issue in a more substantive and systematic way.

1.5. Apart from a questionnaire circulated to all member countries to seek their responses to the issue, ICA ROAP also facilitated the holding of several workshops, and presented position papers to provoke fresh thinking around to the impact of globalization, market economy, and structural adjustment, on co-operatives. The following workshops, in preparation for this Regional Consultation in Kuala Lumpur, were duly organized :

- a) The National Co-operative Workshop in Manila, Philippines, on August 23 & 24, 1993, in preparation for the ASEAN/South East Asia Co-operative Review Seminar;
- b) The National Co-operative Workshop in Jakarta, Indonesia, on November 8 & 9, 1993, in preparation for the ASEAN/South East Asia Co-operative Review Seminar;
- c) The ASEAN/South East Asia Co-operative Review Seminar in Solo, Indonesia, on December 5 to 8, 1993, attended by Brunei Darussalam, Indonesia, Malaysia, the Philippines, and Thailand, in preparation for the Regional Consultation in Kuala Lumpur;
- d) The National Co-operative Workshop in Colombo, Sri Lanka, on December 20 & 21, 1993, in preparation for the SAARC Co-operative Forum
- e) The SAARC Co-operative Forum in Colombo, Sri Lanka, on March 3 - 5, 1994, in preparation for the Regional Consultation in Kuala Lumpur.

1.6. On the request of several organizations, position papers dealing with similar issues were also presented at (a) the International Co-operative Symposium jointly organized by the Asian Confederation of Credit Unions (ACCU), the Singapore National Co-operative Federation (SNCF) and the Credit Union League of Singapore (SCOPE) in Singapore on August 25, 1993, (b) the South Asia Co-operative Leaders' Consultation held by SANASA in Colombo from February 25 to 28, 1994, and (c) a CEO Workshop held by ACCU in Colombo from April 6 to 12, 1994.

1.7. In all the above important milestones, ICA ROAP continued to play its facilitative and catalytic role. Actual deliberations over such central a phenomenon as "the impending challenges of the market economy", and the issue of co-operative competitiveness, were dealt with actively by and among co-operative leaders and representatives themselves which, in the end, evolved into some practical conclusions and recommendations. These recommendations are listed towards the end of this paper, which hopefully will provoke good discussions at the Regional Consultation.

While some practical solutions were identified during the course of the above deliberations, we are yet miles away from coming to grips on what can be immediately operationalized in a sound and comprehensive manner. For that purpose five topical issues, including the idea of undertaking two CASE STUDIES, are also presented in this Background Paper for discussion at the Regional Consultation, to be further recommended to the Colombo Conference in July 1994.

The following analytical review, and recommendations drawn from the preceding workshops, will highlight the cruciality of the issue of "Co-operative Competitiveness and the Market Economy". *nature*

2. RELEVANCE OF CO-OPERATIVES IN A MARKET-ORIENTED ECONOMY

2.1 In the context of globalization, and hence marketisation of the economy, questions about the relevance and role of cooperatives are often being raised. These questions have been raised since the time when world attention was drawn to the collapse of Communism in Eastern & Central Europe, as well as in the Soviet Union. In those countries, where economies were centrally planned, the image of co-operatives was badly marred, but especially so after their inevitable demise. Credibility of the co-operatives dissipated as co-operatives were essentially handmaidens of the State and used as powerful institutions under a severely controlled economy. They were virtually made part of the State system.

On a closer look, however, it may be found that Government control is also still being exercised over co-operatives in a number of cases in the developing countries, as already described in detail in Background Paper I. Nonetheless, this does not discard the sanctity and the validity of the co-operative concept itself. The regimentation of co-operatives had been by and large responsible for aggravating people's dislike ^aover co-operatives. In other words, it was the management of cooperatives by the State - and not by members themselves - which has caused the co-operative image to falter. But it was definitely not caused by the concept itself.

2.2 In the wake of globalization and market-oriented economies, some argued that cooperatives should not be considered different from the private enterprise. Indeed, if one looks at co-operatives as being a purely business enterprise, the argument stands correct. The conceptual understanding of cooperation, however, does not confirm this view. Co-operatives contrast widely in their object, character, composition, and management from a private enterprise. Co-operation is a practical philosophy that believes in building a value oriented and a non-exploitative society; a society which promotes development by people's consent and consensus, and a society which promotes internal cohesion, harmony and peace. In short, co-operatives combine business and moral values. A private enterprise believes in the

maximisation of profit which by its very nature exploits the process of production as well as distribution. Co-operatives, by its very concept, is unique and possess a universal suitability as well as operational validity under almost all forms of economic systems, be it capitalism, socialism, or mixed economies. Cooperatives, therefore, combine the merits of all these systems. Co-operation encourages individual initiative, which is the basic characteristic of capitalism. It believes in equality, equity and non-exploitation, which are vital ingredients of socialism; whereas under the system of mixed economies, where public and private sectors co-exist, co-operatives play a distinctive role in balancing the two sectors. Co-operatives, therefore, constitute a third vital economic sector in most countries, and are in some cases constitutionally recognised. In view of the above, Co-operatives have relevance in a market-oriented economy and have a role to play in defining member friendly markets.

2.3 In the Asia Pacific region, small peasants and marginal farmers constitute the largest group of the population. They are virtually the main **PRODUCERS** of food and raw material and are in need of services for production, marketing, supply and processing. As individuals, however, they do not have the economic capacity to obtain these services. Without institutionalised services, they are prone to unjust exploitation. Under the open market forces, these farmers will gradually be driven to become the adjuncts of private processing ventures and large trading houses. History has shown now and again that unorganized farmers have accepted the dictates of trader-bosses, reducing themselves as mere suppliers of raw material. While these poor farmers are only getting the floor level price for their local produce, the processed products are fetching much higher prices at the national and international markets yielding massive profit margins. This profit, unfortunately, is never shared with the original producers, i.e. the farmers, and is distributed only among share holders. Farmers' freedom, i.e. their individual choice in what to produce and where to sell, is totally dependent upon the trader-bosses. As such, the destiny of this group of farmers cannot be left entirely to the open market forces. By experience, the cooperative institution is the logical alternative to protect the farmers from the adverse effects of an open market system. As members of a co-operative, farmers can have greater bargaining power and can collectively set up their own agricultural processing, marketing, and other relevant services.

With the onset of a market-oriented economy, it makes it even more imperative for farmers in the Asia Pacific region to organise themselves through co-operatives lest they would be exposed as victims of the open market economy. The situation was similar during the Great Depression in the West during the 1920's, where farmers organized themselves into Co-operative "Pools", and have since sustained their bargaining position until now.

2.4 In many countries such as Bangladesh, India, Nepal, or Vietnam, more than 1/3rd of the population lives below the poverty line. Can this group be left altogether to the forces of the open market economy and bear their own fate as a consequence ? It is exactly this vulnerable group that both the society and the Government should feel responsible for. They have to be organised on a self-help basis for gainful economic activities. The State, and international organizations as well, have their respective roles to play in assisting the formation of self-help, democratic, and businesslike co-operative structures which, if done well, will actually reduce the burden of society and the State in the long run.

A number of activities have been promoted for this group in various countries of Asia and the Pacific region, and successful results can be seen in sectors such as the dairy co-operatives, fertilizer co-operatives, sugar co-operatives, labour co-operatives, other processing co-operatives, credit unions, social forestry co-operatives, industrial co-operatives, and artisans co-operatives. A large number of people earn their livelihood through these co-operative organizations. Their activities are both economic as well as social. In a market-oriented economy, this democratically organised self-help groups can protect themselves against a situation where they would otherwise stand in long queues of unemployed labour force, or elsewhere seeking for odd jobs, exposing themselves to exploitation and indignity. In an open market economy, therefore, co-operatives are all-weather umbrellas for the weaker sections of the society.

2.5 The other group, which the entire population is extricably involved in, are **Consumers**. In a market-oriented economy, in spite of the competition among producers and manufacturers, the consumers are not the market sovereigns. Particularly in the developing economies where the propensity to consume is constantly on the rise, there is evidence of an adverse equilibrium between demand and supply of consumer goods. The distributive trade structure from producers and manufactures to the retailers involves a long chain of intermediaries, which causes prices to increase manifold due to the fact that each intermediary adds its own margin. This extensive chain of intermediaries is maintained at the cost of the ultimate consumer: Consumers bear the burden of the entire distributive trade structure. Apart from exorbitant price of goods and commodities, there is also the question of quality. With profit maximization as the aim, various kinds of practices - fair or foul - are adopted to push a commodity into the market by actually creating an artificial demand, i.e. through flashy advertisements. Imitation, adulteration, sub-standard and spurious goods, flood the markets. No doubt that even in the most competitive economy, consumers can protect themselves by organising themselves into a co-operative. By establishing commercial links directly with the production and manufacturing points, consumer co-operatives can demand the quality they need and eliminate all the intermediaries and thus increasing their own surplus

margins. Ultimately, price will cease to be the instrument of consumers exploitation. Psychologically assured of quality standard, the consumer would normally be prepared to pay a marginally higher price rather than to purchase sub-standard goods at cheaper rate. Thus the consumers in the market economy can, by organising themselves co-operatively, build their own protective umbrella against exploitation.

This is what the Rochdale Pioneers envisaged, practised and demonstrated more than a century ago. Consumers in Japan, facing outright market-oriented economy in their country, has decided to set up a strong consumers co-operative movement. More than 100 universities have student consumer stores which are very popular among the students and teachers because they offer commodities at much less a price than the prevailing market price. Also, Consumers have greater reliance on the quality of commodities supplied by consumer co-operatives. The consumer co-operatives have the required vitality to compete. The contributory factors for the popularity, inter-alia, are their reliability in regard to prices and quality, and the involvement of members, especially women. The point of emphasis is that the consumers are more exposed to exploitation in an open market economy. Therefore, consumer co-operatives have a vital role to play in protecting consumers interests.

2.6 The above demonstrates that co-operative institutions, especially for the economically poor, are irrefutable institutions even in the new market-oriented economy. This argument is not just academic, but it stands witness to the practical performance of co-operatives in market economies in several developed countries in East and West. To deny or to even doubt the role and relevance of co-operatives in the market-oriented economy is to deny the very faith in the potential of the concept.

Co-operative symbolises liberalism in their nature, approach, management and operations. The basic ingredient of a co-operative is democracy, i.e. decision-making by consensus, and a sense of belonging in the members. Privatisation and marketisation may correct some distortions in the economy temporarily, but cannot be a panacea for all problems infinitely. Marketisation that is combined with co-operativisation can ensure greater success and economic justice. The actual rider to this plea is that co-operatives must not relegate or give-up their value-orientation in undertaking their day to day business. They must assert values in their business transactions, and inculcate values in their membership promotion. If co-operatives cannot sustain their values to withstand the competition in the market, or in dealing with their members, institutions or individuals, they will have no cause for their existence even if they have become economically strong and viable. Adherence to this value aspect should be the big magnetic force in co-operatives because virtues and values are permanent assets of co-operatives. Without them they will lose their relevance.

2.7. Today one can also witness a spontaneous appearance of peoples' organizations or self-help groups which, by their own efforts, form what we can call **parallel culture of co-operatives**. These groups, which are proliferating in many developing countries in the Asia Pacific region, are democratically formed on the basis of people's economic needs and social aspirations. In a number of cases they adopt co-operative methods and principles in their operations but are not registered under the co-operative law, and are quite reluctant to be called co-operatives, or be identified as part of the "mainstream" co-operative movement. In their eyes, official co-operatives are burdened by state intervention and its ensuing bureaucracies, hence lacking freedom of, and control by, their own members. What has been happening is that the IMAGE of the co-operative has been marred by many faltering state-controlled co-operatives in this region, thus overshadowing many registered co-operatives which are actually established, financed and managed by their own members.

There are organizations which we could classify under the parallel co-operative culture such as the Grameen Bank and Proshika Kendra in Bangladesh, the Co-op Youth Foundation in Sri Lanka, SEWA in India, the 'Klum Omsap' savings group in Thailand, Peoples Livelihood Foundation in the Philippines, the Agha Khan Rural Support Program in Pakistan, Usaha Bersama in Indonesia, to name just a few.

In between the above parallel organizations and the mainstream co-operatives are the burgeoning Credit Union movements in Asia. Unlike similar credit union movements in North America and in a few countries in the Asia Pacific region, these genuine co-operative organizations are not yet fully recognized by, or registered under, the existing co-operative laws, and also not yet integrated within the official/mainstream co-operative movements.

To extol the principle of "Co-operation among Co-operatives", there is indeed a need for the government and mainstream co-operatives to dialogue with, and recognize, these Parallel Co-operative Cultures, which are now blossoming and could well polarize into a new wave of alternative people-based co-operative systems. To confront the challenges of a market-oriented economy there is a need for unity and integration among co-operative and pre-cooperative organizations, so that co-operative movements will not be held hostage by pressures from the market economy or from private interest groups they currently represent.

3. SITUATION IN THE ASIA-PACIFIC REGION

3.1 Globalization implies linkages of the national economy with international markets, forcing tariffs and trade to be liberalized to ease the road to international trade. Economic liberalization, therefore, has become an imperative for each and every country to partake unless, for political more than economic reasons, a nation

state opts to become isolated from the global economic scenario. The fact of the matter is that international influence and impact has become inescapable.

3.2 The Asia Pacific region is responding to the rise of globalization in an unprecedented pace. Astonishing economic growth is currently entering the region which, no doubt, will have far reaching implications. Economies of Asia's "tigers" grew by about 6.4% in 1993, compared to 2.6% for the United States and a decline of 0.4% in the 12-nation European Community. Even as one generation of tigers - Hong Kong, Singapore, Taiwan, South Korea - comes of age, another group is South East Asia is reviving up : Thailand, Malaysia, and Indonesia. Few would predict a couple of years ago that the world's fastest growing economy would be in communist China. The economies of India, Sri Lanka, and Vietnam have also indicated rapid growth with vigorous liberalization policies of late.

3.3 And yet, Asia's production volume is well short of the West's and the so-called "Asian Miracle" owes much to Japan, the region's economic dragon. Some leading Asian economies have also begun posting slightly lower gains. This is due in part to the Japanese slow-down, measures taken by China to cool its annual growth rate from runaway 12 percent, and rising labour costs that drive many industries from rich Asian countries to cheaper ones. But none of that detracts from the miracle, so experts are saying.

Interestingly enough, all the above are happening at a time of geopolitical flux. For the first time since world war II, there is no monolithic communist enemy to give Asians and Americans a sense of common purpose. China is now a major trading partner of both.

The rapid changes are redefining the economic, political, and institutional map of the region. Economic performance has been accompanied with significant improvement in health standards and basic education. In general, standard of living improved significantly, with an average life expectancy rising from 45 in 1965 to 60 in 1991.

3.4 Social concerns, however, still remain partly as a consequence of rapid expansion of export-oriented manufacturing that has tended to concentrate primarily near urban areas. Key concerns include continuing poverty, income disparities between rural/urban and agricultural/rural sectors (e.g. Indonesia's northeastern provinces, Thailand's northeast, India's north and north-east, much of southern China and the Philippines). More generally, societies are becoming increasingly heterogeneous, with an expanding middle class and rising aspirations and expectations. These concerns will have to be addressed within a broader context of the next phase of development within the region that transcends the priorities of industrial alone.

3.5 A key characteristic of the region is the interrelationship between domestic development and regional economic integration, driven primarily by investment and trade linkages. The emergence of significant interdependent investment, technology, trade flows, and production linkages – facilitated by the diversity and complementarity of regional economies is driving both regional cooperation and sustaining domestic economic development. Therefore, regional cooperation and integration can support the development process beyond domestic limits.

Against this backdrop, we see a rapid and far reaching changes in the economies of the Asia Pacific region. Unlike the new generation of “tigers” of South East Asia, the collapse of Soviet Union and East & Central Europe communist economies has had more impact on protected economies in other parts of Asia. While Sri Lanka and Pakistan welcomed the onset of globalization and market economy, there was a more cautious approach in liberating the economies in India, Bangladesh, Vietnam and People’s Republic of China. In India, it was only recently that the government initiated intensive economic reforms to liberalize and deregulate the economy, so as to allow greater playing field of market forces. This was done through an Industrial Policy of July 1991, to stimulate an open economy and to abolish monopolies. To achieve this objective, practice of licensing has been abolished for all industries except for 18 industries on defence and environmental grounds. In Pakistan and Sri Lanka, the respective governments have liberalized its economic policy well in advance in order to encourage the development of the private sector. As a result, the private sector enterprises have rapidly grown in number and size, while the size of the public sector has been greatly reduced. Ultimately, the economy has become largely market oriented.

4. MEASURES TAKEN IN THE ASIA PACIFIC REGION

There is a compelling need for co-operatives to internally consolidate themselves both as a movement as well as a business enterprise in their relationship to external forces. In order to meet the challenges of the market economy, co-operatives must undertake maximum efforts to consolidate and to increase their competitive strength.

The following are some responses received from member countries and affiliates with regard to the measures they have already taken:

4.1 In **Korea**, trade liberalisation and in particular the GATT/Uruguay Round negotiations on agriculture, have posed numerous challenges to the NACF (National Agricultural Co-operative Federation) and its members. To cope with these challenges, the NACF and member co-operatives have made rigorous steps to guide their member farmers to produce high quality farm products, to launch a campaign to patronise domestic farm products, and oppose the opening of domestic market

for foreign goods. They did the latter by collecting signatures from members and consumers, and by strengthening joint co-operation with foreign countries.

4.2 In **India**, co-operatives have started to feel the impact of the new economic policy. There is a growing awareness that there will be a gradual reduction of Government assistance and patronage to co-operatives, forcing co-operatives to compete in the open market. Open market competition, however, is not fair for co-operatives because they are not accustomed - nor will they be - to run businesses in such a manipulative manner as those usually done by the private sector. They also need time to build up their own competitive strength by securing financial resources and building managerial competence. The Government of India has drafted a new co-operative policy in which necessary guidelines have been incorporated to make co-operatives more viable and self-reliant. Structural gaps are being identified and primary agricultural co-operatives are being revitalised. Co-operative education and training programmes are being restructured as well.

4.3 In **Fiji**, there has been no change in the economic policy as such and, therefore, no significant structural changes have taken place. Co-operatives do not face any challenges from the private sector.

4.4 As reported, in **Pakistan** liberalisation of the economy has not posed any significant challenge to co-operatives because the real challenge to co-operatives comes from within. The "well to do", as it was reported, get themselves elected as office bearers in managing committees of co-operatives and direct to themselves the concessionary credit and other benefits available to co-operatives under government policy. The solution of to the problem is protected legislation by government.

4.5 In **Singapore**, very few co-operatives have been affected by the changes in the economic policy and new economic structure of the country. A co-operative strategic review is being undertaken to examine various social and economic issues.

4.6 The challenges of the open market economy provide an opportunity for co-operatives in the developing countries to muster all their strength. There is an opportunity to demonstrate the vast potential and innovative capabilities of co-operatives. It is, therefore, necessary to take immediate measures so that co-operatives could emerge as a strong force in themselves. With the exception of a few countries in the region, co-operatives are particularly weak at the village base level. Cooperatives, therefore, are called upon to consolidate and restructure, without which it may not be possible to withstand the forces stemming from the open market.

5. STRUCTURAL ADAPTATION

Transforming co-operative structures is a vital aspect in the context of economic liberalization. This includes, inter-alia, identification of gaps and superfluous links

within the existing structure. In order to ensure organisational strength and efficiency of the whole system, the structural gaps should be covered, and superfluous units eliminated, as has been done in Japan and South Korea. The aim should be to improve the operational efficiency of the entire structure both vertically and horizontally, and hence build a working system.

5.1 In India, a long standing gap in the structure of the cooperative movement at the national level has been the absence of a national cooperative bank which can promote and ensure financial coordination and balancing in the cooperative structure. This gap has been narrowed by the establishment of a National Cooperative Bank of India in the fall of 1993. An assessment for streamlining the credit supply to the primary cooperative societies/members of cooperatives is also being undertaken. As part of the transformation, the multiplicity of organisations will be avoided as far as possible. Cooperatives at various levels are considering the setting up of common service centres or subsidiaries to avoid wasteful expenditure and avail of the economies of scale. Thailand, Sri Lanka, and Indonesia have also been examining the possibility of setting up a National Cooperative Bank exclusively for the cooperatives.

3.6 Other elements of structural adaptation or transformation pertain to **membership development**, which includes the creation of an efficient information system, continuous education of members and office bearers, professional training of employees of all categories; it also includes the development of a mechanism to assess individual members needs at the primary level in order to formulate a consolidated business plan for primaries. The business plans of primaries taken together should form the basis for planning of activities and programmes of the secondary and federal institutions. Cooperatives should be able to develop their own mechanism for macro and micro planning. Presently, in several developing countries, the government takes a proactive approach in co-operative development planning, whereas the cooperative movement takes a backseat or reactive role. The onus of strategic planning should be assumed by the co-operatives themselves if a more realistic and member-oriented planning is to be achieved. Another aspect in the process of structural transformation is the projection of the true **image of cooperatives**. Very little has actually been done in projecting the achievements of co-operatives and highlighting its socio-economic impact on the community. As well, the extension of social services to the community by using co-operative surpluses needs to be further promoted. This will help to motivate people to join or associate themselves with the cooperatives.

At this juncture it seems pertinent to view the important recommendations proposed by the national and sub-regional consultations.

6. RECOMMENDATIONS FROM CONSULTATIONS IN THE ASEAN AND SAARC COUNTRIES.

6.1 The ASEAN Sub-Regional review Seminar held in Solo Indonesia from 6-9 December, 1993, adopted the following recommendations :

- (a) to request ICA ROAP to explore the possibility of searching and researching cooperative training institutes in Asia towards identifying centres of excellence in existing training institutions (International Coordination).
- (b) to study the practical application of cooperative legislation of countries in Asia and the Pacific Region, and to explore the possibility of creating a check list of references which encompasses the following issues :
 - i. What makes cooperative gainful and sustainable;
 - ii. Pitfalls (fits and misfits) of cooperative legislation for current application in the competitive environment (co-operative friendly environment);
 - iii. Methods of self-regulation and inspection by members on management of their cooperatives (Code of Conduct);
- (c) The Cooperative Movement in the respective countries should have their own national plan of development (Structural transformation).

6.2 It is necessary to caution at this point, however, that no single set of structure can be patterned after for each and every country because of differences in the size of the cooperative movement, the diversity of cooperatives, the areas of emphasis, national priorities etc. It is best that each country decides for themselves what form of structural adaptation is required;

6.3 The other important recommendations of the Seminar were:

- i. accessibility to the capital equity market should also be formulated in policies and legislations in order to serve the enhanced capital requirements of cooperatives.
- ii. Liberalisation, deregulation and privatisation are features which are becoming an inevitability in government economic policy even in the non-capitalist economies. [Appropriate consideration should therefore be given in national policies and legislations for cooperatives, which should be a tandem with this changing trends and not to exclude the cooperatives from the changes. National plans should consider appropriate roles for cooperatives as suitable vehicles and institutions in assisting income distribution, checking inflationary trends and as an agent for a caring society.] Towards this end a national forum between the movement and government be established to facilitate dialogue (National Coordination).

- iii. In terms of bolstering capital formation, cooperative should form strategic alliances with other cooperatives and appropriate institutions in building an integrated system that will support the principle of cooperation among cooperatives (Internal Strength).
- iv. Cooperatives should look for innovative ways to deal with the dynamics of economic globalisation, the ensuing structural adjustment programme and at the same time retain the characters and basic values of cooperatives.

6.4 The **National Workshop** on "Trends and Opportunities in the Cooperative Structure" held in Colombo (Sri Lanka) from 20-22 December, 1992 made the following observations and suggestions:

- i) The cooperative member should be free to decide on the size, nature and composition of their cooperatives (structural transformation);
- ii) A cooperative should not be compelled to act as an agent of Government and where such agencies function is entrusted to a cooperative appropriate payments should be made by the Government for the performance of this agency function (Viability of the cooperative);
- iii) Cooperatives should be provided with tax and other incentives, as available to big business who are engaged in export oriented activities (Cooperative friendly environment);
- iv) A massive effort has to be made to improve human resource development within the cooperative system (Structural changes);
- v) Cooperative should meet the needs of members adequately, efficiently and courteously (Goodwill);
- vi) Cooperative should be left free to formulate the strategies necessary for their development ensuring, of course, that this does not go counter to government policy (Autonomy);
- vii) There should be free environment for cooperatives. (Co-operative friendly environment);
- viii) Cooperative leaders must themselves be users of cooperative. (Genuine leadership);
- ix) Professional management must give major priority to quality, efficiency and economy in the performance of various functions (Competitiveness);
- x) As in the case of primary societies responding to members needs the secondary apexes in their turn must be responsive to needs and directions to their membership (Structural Changes);
- xi) Cooperative should use technology to ensure improvement in efficiency and reduction in cost (Innovative approach);

- xii) The rules and regulations, departmental or otherwise, which obstruct the cooperative working need to be removed (Legal environment);
- xiii) Each cooperative should formulate its own plan on the basis of members need (Structural transformation);
- xiv) Cooperative should welcome the free economy as a wonderful opportunity to extend their activities and increase their turnover (competitiveness);
- xv) There should be clear declaration of policy by the Government in regard to status and the rule of cooperatives (Co-operative friendly environment);
- xvi) There should be Government support without government interference (Co-operative friendly environment);

6.6 The **SAARC CO-OPERATIVE FORUM** held in Colombo, Sri Lanka, from March 3 to 5, 1994, proposed the following recommendations stemming from the South Asia Leaders' Consultation :

That the **SAARC Co-operative Organization, (SAARCCO)** which was organized on March 5, 1994, incorporates the following recommendations for consideration by the Regional Consultation in Kuala Lumpur :

- i) To lobby with governments in the region to provide greater support to co-operative movement in the areas of education, training, trade and joint ventures, and treat the co-operatives on an equal footing with the private sector in this regard;
- ii) To play an active role in transforming the government's role vis-a-viz co-operatives from one of regulation to one of facilitation and enabling;
- iii) To consider the need for enhancing co-operative image and develop a common logo or symbol to strengthen the solidarity, unity, and common purpose of the co-operative movement;
- iv) To undertake a study on why parallel structures have come into being, which while functioning in accordance with the co-operative principles are hesitant to be identified with the traditional co-operatives. Steps to integrate them and the traditional co-operatives into one unified co-operative movement needs to be formulated;
- v) To address the issue of vertical and horizontal collaboration among co-operatives, which is conducive to co-operative development in the region. As a follow up it is recommended that a study be undertaken on this issue;
- vi) To review the conventional federal system prevalent to South Asian countries, taking advantages of the experiences in other countries, with a view to ensuring that member influence is reflected at various decision making levels;

vii) to establish a Task-Force to formulate a strategic action plan with the following priorities :

- globalization, market economy, and the impact on co-operatives;
- leadership and professional management training;
- trade and joint ventures
- information exchanges with regard to innovations on co-operative laws, structure, management technique and membership participation methodologies.

7. ISSUES FOR DISCUSSION

The above analysis, and the ensuing recommendations from the various fora in Asia, are conceived to set the framework for discussions at the Asia Pacific Regional Consultation in Kuala Lumpur.

The impending issues for discussion can be categorized into five main topical issues:

7.1 Relevance of Co-operatives in the wake of market-oriented economy;

7.2 Structural/Organizational adaptation required to enhance co-operative competitive strength, hence to overcome the challenges of globalization and the market economy;

7.3 Identification of appropriate POLICY support and germane assistance required from the government in view of the market-oriented economy, and in view of promoting self-reliant and autonomous co-operative organizations as enunciated by the Sydney and Jakarta Conferences;

7.4. Strategy to collaborate with parallel structures in the Asia Pacific region;

7.5. The need for two practical **CASE STUDIES** on successes and failures co-operatives in the wake of current market economy and structural adjustment programs.

BACKGROUND PAPER - III

1. REGIONAL AND INTERNATIONAL COORDINATION

1.1 The Jakarta Conference recognised the importance of the Ministers' Conference as its recommendations greatly helped the governments and the national cooperative organisations in building a more conducive environment for the development of cooperatives.

1.2 The Conference felt the need of meeting of the Ministers periodically for the review of the development of cooperatives.

1.3 The Conference accepted the need to build financial resources to follow-up and continue the Conference activities. It recommended that the governments and cooperatives in the region must contribute to meet the required finance. The ICA ROAP was asked to work out modalities of the Fund.

1.4 The Conference further clarified that such contributions will be on a voluntary basis.

1.5 The Conference noted with high appreciation the announcements of voluntary contributions to the Fund by Hon'ble Bustanil Arifin, Minister of Cooperatives of the Government of the Republic of Indonesia, a sum of US\$ 25,000 and by Hon'ble Dato Khalid Yunus, Deputy Minister for Lands and Cooperative Development of the Government of Malaysia, a sum of US\$ 20,000.

1.6 Globalisation implies and calls for greater working coordination among cooperatives in the region and outside it. This may promote international economic collaboration and better international trade relations. Regional policies may be formulated in such a manner that while safeguarding the national interests of each country in the region, countries may also mutually help each other. Technology transfer within the region should be encouraged. To achieve this end, the Ministers' Conference may be given a permanent status, as a specialised organisation, so that the Ministers of Cooperation and cooperative leaders may meet periodically to discuss common problems and evolve measures for strengthening cooperatives, both nationally and internationally.

2. To make the Cooperative Ministers' Conference a regular forum, the Ministers' Conference may consider adopting a 'resolution', which may be characterized as the "Colombo Declaration".

COLOMBO DECLARATION

1. The Third Conference of Ministers In-charge of Cooperation and Cooperative leaders in the Asia and the Pacific Region, held at Colombo in July 1994, adopted the following resolutions which would be known as **Colombo Declaration** by Cooperative Ministers Conference.

RECOGNISING THAT the Governments in the developing countries:

- 1.1 accept cooperatives as an effective and potential instrument of economic development and alleviation of poverty;
- 1.2 have conviction in democratic values;
- 1.3 increasingly adopt market oriented economy;
- 1.4 want preservation, promotion and protection of domestic and international peace; and
- 1.5 appreciate the development of cooperatives and support them.

2. **RECOGNISING FURTHER:** that the aims and objectives of cooperatives and policies of the Government being similar, development of cooperatives is in the mutual interest of both cooperatives and the Governments and that cooperatives need continuing Government support.

3. **BELIEVING THAT:**

- 3.1. the implementation of the recommendations of the two Conferences of Ministers In-charge of Cooperation, held at Sydney and Jakarta, has given a positive and harmonious orientation to Government-cooperative relationship, resulting in a new environment for cooperative action;
- 3.2 continuing support of the Government to the cooperatives is imperative;
- 3.3 in the context of globalisation of economies, cooperatives will continue to play a crucial role for protecting the interests of producers, consumers and weaker sections of the community; and
- 3.4 a periodical dialogue between the Governments and cooperatives at regional and international levels is needed.
- 3.5 The Colombo Conference resolves to set up a permanent forum to be known as **Regional/International Cooperative Council (RECCO/ICCO)** and adopts the enclosed Constitution of RECCO/ICCO.

CONSTITUTION

4. NAME

The name of the permanent organisation shall be **Regional/International Cooperative Council**, shortly named as **RECCO/ICCO**.

5. OBJECTIVES

The objectives of RECCO/ICCO shall be:

- 5.1 to uphold and nourish the internationally accepted principles of cooperation as formulated and adopted by the ICA;
- 5.2 to serve as an international forum for discussions on matters relating to cooperative movement;
- 5.3 to review the progress and trends of development of cooperatives in the region/world;
- 5.4 to evolve strategy/strategies for strengthening cooperatives;
- 5.5 to observe and keep in close touch with the developments affecting the world situation to collect and disseminate authentic and timely statistical and other information relating to world cooperative movement;
- 5.6 to suggest to the Governments/cooperative movements representatives on the RECCO/ICCO measures for the furtherance of International collaboration;
- 5.7 to strengthen cooperative development in the respective countries;
- 5.8 to promote cooperation among cooperatives for cooperative to cooperative joint ventures, economic collaboration and trade.
- 5.9 to identify areas of transfer of technology/experiences for mutual benefit.
- 5.10 to support international efforts for lasting international peace;

6. MEMBERSHIP

Membership of the RECCO/ICCO shall be open to the Governments (Ministries/ Depts. In-charge of Cooperation), Government organisations set up for the promotion and assistance of cooperatives and national level cooperative organisations.

7. MEETINGS

To achieve the objectives defined above the RECCO/ICCO shall convene meetings of its members on regular intervals at a place to be decided by the Conference itself.

8. SECRETARIAT

The RECCO/ICCO shall have its own Secretariat in the ICA Regional Office at 43, Friends Colony, New Delhi, to start with.

9. FINANCES

9.1 Members subscription;

9.2 Contributions;

9.3 Donations;

9.4 International Donors Assistance.

10. Detailed Rules may be framed to regulate the working of the Council and shall be operative from the date they are approved by the RECCO/ICCO.

NOTES

NOTES
