



## COOPERATIVES IN SRI LANKA

The Vavuniya North Fruit Growers' Cooperative Society (VNFVCS), Sri Lanka produces and exports red papaya. Image credit: ILO

### Contribution of cooperatives to Sri Lanka's economy

- 16,000- number of cooperatives in Sri Lanka.
- 8.1 million members (38.15% of the population) in cooperatives.
- 65% of members in cooperatives are women.
- 65,000- number of employees in cooperatives.
- US\$ 1.8 billion- held in assets with another US\$ 1 billion in savings by cooperatives.

(All figures as of 2019)

### Did you know?

- The cooperative movement in Sri Lanka is 114 years old.
- The government established the Department of Cooperative Development (DCD) in 1930 to promote, regulate and facilitate the cooperative movement.
- National Cooperative Council of Sri Lanka (NCCSL) is the apex organisation representing the cooperative movement.
- The DCD set up nine provincial cooperative departments in 1987.
- ICA has five members from Sri Lanka. The members with their year of affiliation are National Cooperative Council of Sri Lanka (NCCSL, 1973); Federation of Thrift and Credit Cooperative Societies Ltd. (SANASA, 1989); Consumer Cooperative Societies Federation of Sri Lanka Ltd. (COOPFED, 1992); National Institute of Cooperative Development (NICD, 2005); and Kotikawatta Thrift and Credit Cooperative Society Ltd. (KTCCS, 2012).

Cooperatives in Sri Lanka have a long and rich history going back to the British colonial period in the early 20th century. Initially started by the rural working class who set up their own credit societies, cooperatives have gradually branched out to other sectors under the guidance of the government. During the civil war years, cooperatives were identified by the UN as the only "stable" economic structure present in northern Sri Lanka. Cooperatives are now being seen in a new light and strengthened by the government to withstand competition in the current liberal market economy.

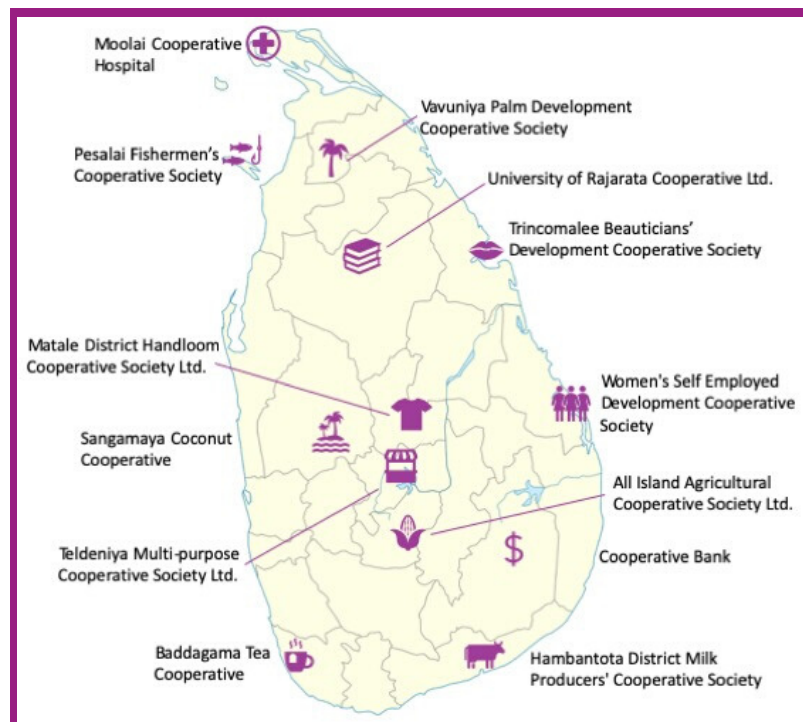
### Types of cooperatives in Sri Lanka

Primary cooperatives are present in the following sectors:

<b>Thrift and credit</b>	8400	<b>Youth</b>	26
<b>Rural banks</b>	1703	<b>Handicraft</b>	21
<b>Fisheries</b>	544	<b>Textile</b>	14
<b>Multipurpose</b>	306	<b>Tea production</b>	14
<b>Industrial</b>	182	<b>Coconut</b>	8
<b>Marketing</b>	130	<b>Dairy</b>	7
<b>Healthcare</b>	95		

### Geographical presence of cooperatives in Sri Lanka

Cooperatives are present in all the 27 cooperative districts. The map below is a representative sample of cooperatives across the country.



## Evolution of the cooperative movement

### → 1906-1947

- Historically, the attam system of labour exchange in rural Sri Lanka encouraged neighbours to mutually help each other and the pattern was repeated until everyone was a recipient.
- Cooperatives in Sri Lanka were promoted by the British administration to train farmers on scientific agricultural practices and methods, credit disbursement and to simplify produce distribution.
- The first organised cooperative was set up in 1906 by dissatisfied rural workers in Teldeniya, Kandy. Their refusal to go to private moneylenders saw the formation of the Dumbara Credit Cooperative Society. This eventually led to the development of the first laws for cooperatives in 1911 with the Director of Agriculture as registrar.
- The government established a separate cooperative department in 1930.
- During World War II, government-backed cooperative stores had a monopoly on war-rationed goods such as sugar and rice and helped address the food-shortage crisis. This made cooperative membership increase quickly.

### → 1948-2000

- Post-independence in 1948, the government continued to promote cooperatives in rural areas to supply basic provisions, provide agricultural extension, give technical assistance and supply credit.
- The government established a national apex organisation for cooperatives, the Cooperative Federation of Ceylon in 1955 (renamed and re-established as NCCSL in 1972) to look at cooperative policy, education, training and publicity.
- All the island-wide cooperatives – credit, agricultural, industrial, and consumer – were brought together under Multi Service Cooperative Societies (MSCS) in 1957.
- During the economic crisis in the 1960s, the government encouraged cooperative stores to distribute food and cooperative industrial societies to promote locally produced commodities.
- In 1970, the government amalgamated primary consumer and fishery cooperatives into economically sustainable larger MSCS.
- A change in government in the late 1970s changed the focus of the cooperative movement from state-run consumer societies to capital entrepreneurship and self-reliance. The microfinance movement at grassroots was revitalised and there was a new push to diversify agricultural exports.
- Cooperatives were decentralised in 1987 and nine provincial cooperative departments were set up across the country to regulate and promote the cooperative movement.

### → 2000-present

- The government launched 'Samupadeepani', a monthly newspaper covering the cooperative movement in 2006.
- In 2007, COOPFED started the Co-op City Project with the government to run cooperative stores that supply essential food items at prices lower than private stores. Today, there are more than 7,000 such stores in Sri Lanka.
- During the decades-long civil war (1983-2009), cooperatives continued to function in the affected provinces.
- Post the civil war, cooperatives played an important role in reconstruction by providing employment opportunities to refugees, war widows and ex-combatants.
- In 2011, when the government marked the first centenary of the cooperative movement in Sri Lanka, they recognised the support provided by cooperatives in the retail sector in the provision of essential goods in difficult times.
- The first edition of the 'Sri Lanka Journal of Cooperative Studies' that covers research on cooperatives came out in 2017.
- The National Policy on Cooperatives was approved by the cabinet in 2019. It provides a policy and legal framework to develop and strengthen cooperatives by adopting a sustainable socio-economic approach.

## Law on cooperatives

- **1911-** The first law on cooperatives was the Credit Cooperative Societies Ordinance No. 7 that provided for the registration and control of credit cooperatives by the registrar. Subsequent amendments made provisions for the establishment of cooperatives in different sectors as well as secondary and tertiary institutions.
- **1972-** Cooperative Societies Act No. 5 was introduced to facilitate the reorganisation of cooperatives to help the distribution-oriented centralised economy. It was amended marginally in 1983. The management structure of cooperatives was also established under the Cooperative Employee Act No. 12 in 1972.
- **1992-** Cooperative Societies (Amendment) Act No. 11 changed the preamble of the 1972 Act by relaxing the powers of the registrar and focussing on 'administration' instead of 'control' of cooperative societies.

## Key highlights of the Cooperative Societies (Amendment) Act No. 11

- Provides cooperatives a six-month-trial period to start generating income from economic activities before official registration.
- Allows cooperatives to conduct business and take up community work with non-members.
- Prevents active politicians from holding office in a cooperative society and from getting elected to the board.
- Allows the admission of associate members for the purpose of business.
- Assigns special provisions to cooperatives funded by the State and authorises their control to the registrar.

# Cooperative landscape of Sri Lanka

Cooperatives in Sri Lanka operate in different sectors and are closely linked with all areas of development. They play an important role in furthering the achievement of Sustainable Development Goals (SDGs).

## Reducing economic inequalities (SDG 10):

### Federation of Thrift and Credit Cooperative Societies of Sri Lanka (SANASA)

SANASA is an apex with over 8,000 member cooperatives that deal in microfinance in rural areas. It is the local Sinhalese acronym for thrift and credit cooperatives. Today, it's the largest people-oriented service organisation that reaches around 20% of the total population. It works with national and international organisations to spell out cooperative-friendly policies, hold workshops, organise development programs, and guide cooperative education. It continued to operate during the civil war in rebel-held areas. SANASA has its own bank, insurance agency, construction company, training-centre-cum-university and a publishing company. The SANASA Development Bank (SDB) has 94 branches with assets valued at over US\$ 535 million (2018). SANASA's success has been lauded globally with various international NGOs using it as a model case study.



Workshop on cooperative financial management organised by SANASA  
Image credit: SANASA



Fishermen from the FCSI  
Image credit: FCSI

## Promoting economic growth (SDG 8):

### Fishermen's Cooperative Society of Irranaimathanagar (FCSI)

Established in 1992, FCSI was started by a group of crab fishermen before it was reorganised in 2010. It has 380 members (2017) who sell over 100 tons of blue swimmer crabs annually. Since its early days, its members would sell their produce directly to FCSI because they were assured better and fairer prices than the market. FCSI started a crab processing unit in 2012 which employed women workers. Women at the factory receive a bonus depending on the amount of crabs processed on top of their base salary. FCSI also has various community programs including a compulsory saving scheme, donations for social events and student scholarships.

## Promoting responsible production (SDG 12):

### Cooperation for Industrial Development Lanka (Coop-ID)

Coop-ID was established in 2009 to enhance the entire cocoa supply chain of small producers who were suffering in the international market due to lack of investment in skills and technologies. The result - a 200% increase in the income of 891 local cocoa producers. More than 2000 hectares of land is now managed by Coop-ID farmers and it is also the first cooperative producing organically certified cocoa - even the cooperative's processing station has energy saving machinery and biomass production. A part of their profit goes towards a local sustainability fund. They have expanded to spices, rice and herbal beverage production in several other districts.



The aromatic and organic cacao seeds processed by Coop ID.  
Image credit: Svenska Kakaobolaget



Women showing their Moringa harvest  
Image credit: ILO

## Promoting women's empowerment (SDG 5):

### Puthukkudiyiruppu Women Entrepreneurs' Cooperative Society (PTK Cooperative)

The cooperative was formed by 15 women who were struggling financially on their return to their war-ravaged village in northern Sri Lanka. The conflict survivors were all primary breadwinners of their households while some were war widows. They formed an informal organisation where they collected funds from all members, met monthly and used the funds in times of need. Over time and with support from the ILO's Local Empowerment through Economic Development (LEED) initiative, they became a cooperative of 500 members. The ILO gave subsidies to them to learn skills and engage in income-generating activities. The cooperative also urges its members to be more involved in reconciliation and conflict risk mitigation.



- The December 2004 Indian Ocean tsunami devastated the coastal areas of Sri Lanka. ICA and other international cooperatives stepped in to help with post-tsunami reconstruction projects which included support to fishery cooperatives to help members who had lost their boats.
- We Effect and the NCCSL have been working together since 2008 to strengthen the capacities of cooperative societies and promote policy changes on gender equality and good governance.
- In 2010, the Government of Sri Lanka and the ILO started the LEED Project in the Northern Province with existing cooperatives to develop capacity and increase employment opportunities of the economically vulnerable people in the war-ravaged community. The LEED+ Project, launched in 2018, promotes gender equality, inclusive growth and reconciliation through cooperatives and other stakeholders.
- The 2014 World Conference on Youth's Colombo Declaration recognised the importance and role of cooperatives for the development of youth.

## Engagement with ICA-AP

- The third and fourth Regional Directors of ICA-AP were from Sri Lanka – Mr. PE Weeraman (1968-77) and Mr. RB Rajaguru (1977-86).
- Sri Lanka has been represented at the ICA-AP Regional Board by Mr. PA Kiriwadeniya, Mr. Lionel Samarasinghe, Mr. Bandu Ranawake and Mr. Lalith Peiris.
- Sri Lanka hosted the 3rd Cooperative Ministers' Conference in 1994. It focused on Cooperative-Government Collaborative Strategies.
- In 2006, Sri Lanka hosted the 7th Regional Assembly, 4th Regional Cooperative Forum and the 4th Regional Research Conference.
- The Training of Trainers Program on Management Capacity Building of Women for Cooperative Development was organised in collaboration with the NCCSL in 2011.
- The Asia-Pacific Cooperative Development Conference (APCDC) was organised in Colombo in 2018 and aimed at the UN SDGs.
- Cooperators from Sri Lanka have taken part in trainings organized by ICA-AP, through the ICA-MAFF Government of Japan project, Consumer Committee, Women Committee and Youth Committee.

## What are cooperatives?

Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.

## Cooperative values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## Cooperative principles

The seven cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

## References

<https://bit.ly/31Lnsoo>  
<https://bit.ly/2PjcEeW>  
<https://bit.ly/31KvZt>  
<https://bit.ly/2qJbILy>  
<https://bit.ly/32PyAM8>  
<https://bit.ly/2MLKIPd>  
<https://bit.ly/2Jmnh5>  
<https://bit.ly/2BIIFWI>  
<https://bit.ly/2pep7Wp>  
<https://bit.ly/2MLZDsu>  
<https://bit.ly/32NuxX1>

<https://bit.ly/2WdWRzo>  
<https://bit.ly/2N9tryh>  
<https://bbc.in/2WchM5J>  
<https://bit.ly/32LB7NF>  
<https://bit.ly/31Mun0c>  
<https://bit.ly/2PdSdjv>  
<https://bit.ly/2MN6mCx>  
<https://bit.ly/32LXgLW>  
<https://bit.ly/2BT5LZX>  
<https://bit.ly/2WgVCPR>  
<https://bit.ly/2PoJ7Jl>

<https://bit.ly/33YrJG1>  
<https://bit.ly/31JBYO>  
<https://bit.ly/2JokXSW>  
<https://bit.ly/2Psd2TN>  
<https://bit.ly/2Jk0EU0>  
<https://bit.ly/31Ee9i0>  
<https://bit.ly/2Nbrgdv>

- ICA-AP, 50 Years of International Co-operative Alliance in Asia and Pacific [1960-2010] Serving Cooperatives, 2010.
- Human Organisation Vol. 61, No. 1. Co-opting Cooperation in Sri Lanka, 2002.

<https://bit.ly/2PjFvj2>  
<https://bit.ly/2PhpgmL>  
<https://bit.ly/33YaXrh>  
<https://bit.ly/345d5xh>  
<https://bit.ly/2ogV4Nv>  
<https://bit.ly/2Jm7Cu8>

## About International Cooperative Alliance Asia and Pacific

ICA-AP is one of four regional offices of the ICA. Established in 1960 in New Delhi, India, it unites, promotes, and develops cooperatives in the region. ICA-AP's 108 members from 33 countries spans a variety of sectors, including agriculture, credit and banking, consumer, education, fisheries, forestry, housing, and insurance.

## Contact information

ICA-AP: [info@icaap.coop](mailto:info@icaap.coop)



ICAAsiaAndPacific



ICAAPAC



ICAAsiaPacific

COOPFED: [coopfed@sol.lk](mailto:coopfed@sol.lk)



Sri Lanka Consumer Cooperative Societies FederationLtd

KTCCS: [info@ktccs.com](mailto:info@ktccs.com)

NICD: [nicd@sltnet.lk](mailto:nicd@sltnet.lk)



nicdkandysrilanka



nicdsrilanka

NCCSL: [nccsec@sltnet.lk](mailto:nccsec@sltnet.lk)

SANASA: [info@sanasa.coop](mailto:info@sanasa.coop)



SANASASriLanka

This publication has been co-funded by the European Union. The contents of this publication are the sole responsibility of the ICA-AP and can in no way be taken to reflect the views of the European Union.

Created in January 2020