



COOPERATIVES IN PAPUA NEW GUINEA (PNG)

The Highland Organic Agriculture Cooperative, PNG, invested in the piping of fresh, clean water into their community. Image credit: montvillecoffee.com.au

Contribution of cooperatives to PNG's economy

- 6,000 - the number of registered cooperatives in PNG.
- US\$ 2.9 million (PGK 10 million) - revenue generated by cooperatives.
- 21 - the number of Savings and Loan Societies (SLS).
- 319,412 - members (3.7% of the population) in SLS.
- US\$ 50.03 million held in assets by SLS.

(All figures as of 2018)

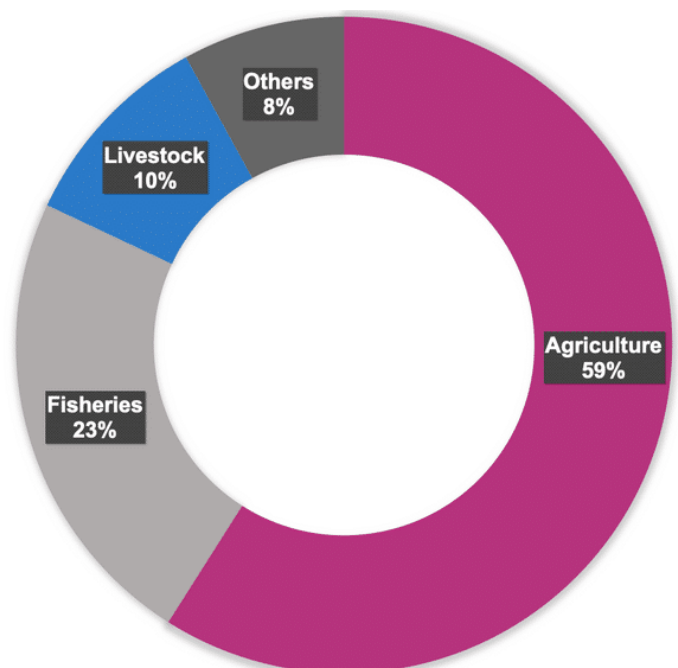
Did you know?

- In 1947, the Australian colonial administration established a Cooperative Section within the Department of District Services and Native Affairs.
- The Office of the Cooperative Societies of Papua New Guinea (OCS-PNG), a division under the Department of Commerce and Industry (DCI), is the regulatory apex for cooperatives in PNG.
- SLS following the cooperative model (same as credit unions), were developed under the aegis of the Reserve Bank of Australia in 1961.
- The PNG Federation of SLS (FESALOS) is a national apex of all SLS. The Governor of the Bank of PNG (BPNG) is the Registrar of SLS.
- ICA has one member from PNG, OCS-PNG, which became an Associate Member in 2015.

Cooperatives were introduced in PNG by the Australian colonial government after World War II. The intent was to mobilise landowners to participate in agriculture cooperatives, stimulate the economy with cooperative retail stores, and to monitor any political resistance. Cooperatives, for the most part of their history, have struggled to remain financially viable. New laws enacted in the 1980s have helped revive cooperatives and in turn drive social and economic development in rural areas. Financial and administrative support is available to cooperatives in the form of support grants and funds, as well as training programmes by OCS-PNG.

Types of cooperatives in PNG

Cooperatives in PNG are present in the following sectors:



Others include horticulture, floriculture, ecotourism etc.
*21 SLS not included.

→ 1947 - 1969

- The cooperative movement in PNG started in 1947 when the Australian administration introduced the Native Societies Ordinance. They established a Cooperative Section within the Department of District Services and Native Affairs to assist and encourage the indigenous people to form cooperatives. They wanted the landowners to undertake cooperative farming activities to improve their income and also to prevent any future uprising as a fallout of World War II.
- The initial cooperatives, established through the 1950s, were mostly rural consumer cooperative stores that later diversified to multipurpose societies marketing coffee, cocoa and copra.
- In 1951, primary societies formed district associations and in 1956, the National Federation of Co-operative Associations.
- The cooperative movement spread and increased manifold with the government's support. The numbers went up from 98 cooperatives with 8,556 members in 1950 to 316 cooperatives with 109,175 members by 1958.
- A cooperative education centre was established in the early 1960s and the government allocated more resources to promote the movement for the socio-economic development of the indigenous populace.
- The government started promoting SLS in 1961 with the first law being enacted in 1962. Registered societies operated under the control of the Registry of SLS.
- The name of the cooperative legislation was changed to the Cooperative Societies Ordinance in 1965.
- The SLS movement had spread to nearly every province - leading to the formation of FESALOS in 1966 to promote cooperation among societies.
- However, by the end of the 1960s, there were signs of the cooperative movement slowing down as several primary societies returned losses for the third consecutive year while the larger cooperative unions faced financial difficulties.

→ 1970 - 1999

- In 1970, the Laloki Cooperative College was established to expand the cooperative movement, with support from the UN Development Programme. The Division of Cooperative Extension was set up within the new Department of Trade and Industry.
- A 1971 committee of enquiry, established by the Australian House of Assembly to look at cooperatives in PNG, found that the movement was collapsing. Some of the reasons were mismanagement of funds, incompetence of managers and directors, and disillusioned members as cooperatives failed to meet the financial returns they had promised.
- FESALOS took over all administrative responsibilities from the Reserve Bank in 1972. They started restructuring the operations of the SLS movement by disbanding the regional leagues and clubbing together smaller SLS in rural areas.
- Post-independence in 1975, the movement plunged as the newly independent government took drastic measures to abolish the cooperatives instead of reforming the sector. They repealed the 1965 Ordinance and replaced it with the Companies Act or the Business Group Act to promote incorporated business groups for engaging ordinary people in economic activities. Regulatory functions of SLS was placed under the new Central Bank of PNG that lacked capacity. This saw the liquidation of many societies.
- In the 1980s, there was renewed interest in cooperatives as then-Prime Minister Julius Chan and Governor-General John Guise were ardent supporters of the movement. This led to the enactment of the Cooperative Society Act 1982.
- The Cooperative Registry was abolished in 1991 and cooperatives fell under the purview of the Department of Business Development. All cooperatives were de-registered and underwent liquidation. FESALOS also had administrative mismanagement problems. A 1994 World Council of Credit Unions (WOCCU) statement said there was no information available on the status of SLS in the country.
- The Department of Trade and Industry floated an idea in 1995 to revive cooperatives to drive the small and medium enterprises initiative. Lack of funds, interest and continued apathy saw no action being taken.

→ 2000 - Present

- In 2000, the government made an attempt to revitalise cooperative development to empower people economically and then use the societies to promote the development of rural areas. They took action by establishing OCS-PNG within the Ministry of Trade and Industry and headed by the Registrar of Cooperatives. The OCS-PNG received a budgetary allocation of US\$ 344,022 (PGK 400,000) annually for five years to establish operations.
- The movement caught steam and in a 2004 report, the government identified cooperatives as the best vehicle to implement its 'rural development, people's empowerment and poverty eradication' strategy.
- Regional Cooperative Centres were set up in four regions by OCS-PNG in 2009.
- BPNG conducted a prudential review of FESALOS in 2010 to evaluate its system and was satisfied with the process. It was evident that the 1995 SLS Act was getting outdated, so FESALOS and BPNG supported a new regulatory framework in 2015 which was in line with other BPNG institutions.
- When Prime Minister James Marape came to office in 2019, he urged the people to "take back PNG through agriculture." One of the ways this was interpreted was by launching and promoting agricultural cooperatives. OCS-PNG also started working on a policy to amend the current cooperative laws.

Laws on cooperatives

Sector	Legislation	Highlights
Cooperatives	Co-operative Societies Act (Amended) 1985 Provides for the establishment, regulation and management of cooperative societies.	<ul style="list-style-type: none"> At least seven members, above the age of 18, needed to register a cooperative. Name of the society to include the word 'Cooperative' and the last word as 'Limited' and follow the naming restrictions specified under the Companies Act 1997. Registrar can appoint an adviser to assist a cooperative. Provisions for a Statutory Reserve Fund, made of 20% of the cooperative's net surplus, to be invested in a manner approved by the Registrar. A liquidator may apply provisions of this Act to wind-up a cooperative.
Savings and loan societies	Savings and Loan Societies Act 2015 Repeals the 1961 Act to create uniformity and modernise the regulatory framework for SLS.	<ul style="list-style-type: none"> BPNG to be the licensing and prudential authority of SLS to maintain their financial stability. The board to have independent directors and make full disclosure of business connections by members of the board and the management. SLS operated by unions can also accept members from the public. SLS to be incorporated under the Companies Act and then to get licensed by the BPNG to operate as an SLS. All SLS to become members of FESALOS.

Cooperative landscape of PNG

Cooperatives in PNG operate in varied sectors and have been historically linked with the government's plans of socio-economic development. This is because cooperatives create a business-friendly environment that is competitive and, thus, stimulating for the economy of rural areas. They play an important role in furthering the achievement of Sustainable Development Goals (SDGs) in the country.

Promoting decent work and economic growth (SDG 8): Timuza Coffee Cooperative Ltd. (TCC)

TCC represents around 207 smallholder farmers belonging to the Kamano tribe in the Eastern Highlands. The farmers organically grow 10-15 tonnes of green bean arabica coffee annually on 274 hectares. The coffee is handpicked, hand pulped, washed in clean river water, sun dried on raised beds and then delivered to the receiving station for hulling and polishing. The farmers also grow food crops such as sweet potato, taro and cassava in adjacent gardens. Cooperative members receive training and assistance in finance management, gender equality, coffee growing and standards of processing. In 2016, Timuza coffee won the National Cupping Competition for its quality in cup and taste.



Cooperative members perform in full ceremonial outfits during an event.
Image credit: TCC

Reducing inequalities (SDG 10): Teachers Savings and Loan Society Ltd. (TISA)

TISA was established in 1972 for registered teachers and employees of the Department of Education who wanted to actively save and assist each other in times of need. At one point, it had 3,000 members which has now grown to 36,000 members nationwide. It has 14 branches and now accepts officials from the public sector and statutory authorities as new members. Today, it's the largest SLS in the country after acquiring the Police and State Services Savings and Loan Society Ltd. in 2018. It holds investments in various companies and commercial properties and was the first SLS to deliver electronic banking services to its members.



Image credit: TISA



- FESALOS partnered with WOCCU in 2008 to implement a best practice evaluation and comprehensive review of their retail banking management information system. This due diligence means that user SLS members can access the newest systems in the financial markets and maintain their competitive edge.
- PNG, as part of the Melanesia Spearhead Group (MSG), was one of the participants when MSG Cooperatives Officials met for the first time in 2016. Cooperators agreed to boost linkages and discussed cooperative-to-cooperative collaborations among themselves. The cooperators met again during the Private Sector Development (PSD) Week at the Cooperatives Policy Workshop to exchange global best practices.
- Representatives from PNG co-organised and attended a high-level side-event during the 2016 session of the Commission on the Status of Women at the UN headquarters in New York. The theme was 'Realising women's economic empowerment in rural areas through cooperative and micro-enterprises.'

Engagement with ICA-AP

- Cooperators from PNG attended the Conference on Cooperative Development in South Pacific in 2008.
- PNG participated in the Forum of Development of Cooperatives in Pacific Islands, held in Vanuatu, in 2018.

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

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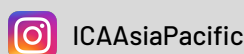
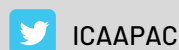
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About International Cooperative Alliance Asia and Pacific

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 107 members from 33 countries spans a variety of sectors, including agriculture, credit and banking, consumer, education, fisheries, forestry, housing, and insurance.

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