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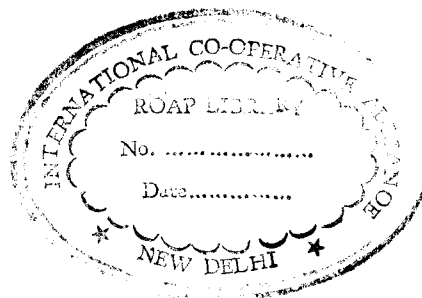
Country Paper - Bangladesh

REPORT

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on

Recent Changes, Trends and Developments
in Co-operative Movement of Bangladesh



by

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INTRODUCTION

Bangladesh was a part of British-India till August 1947 when it gained independence as a part of Pakistan. It achieved liberation on 16 Dec, 1971 after fighting one of the bitterest war with the Pakistan occupation forces. It is situated between 20.54 to 26 degree latitude and 88.01 to 92.41 degree longitude. It has a total area of 55,598 square miles most of which is river ridden. 90 percent of the population live in 68,018 Villages whose main vocation is agriculture. Total cultivable land is 31.1 million acres.

AGRICULTURAL SITUATION

Agriculture sector plays a vital role in the economy of Bangladesh. About 85 percent of the total population in the country depend directly or indirectly on agriculture for their livelihood. This factor contributes about 52 percent to the GDP. The other sub-sectors, such as, livestock, forestry and fishery also play important role in boosting up overall agricultural crops of Bangladesh. The main agricultural crops of Bangladesh are rice, jute, tea, sugarcane, potato, pulses, tobacco, spices and oil seeds. Besides, various types of tropical fruits and vegetables are also produced here. Sources of animal protein are fish (mainly sweet water fish as the sea water fish resources have not so far been properly harnessed), poultry, beef and mutton. Due to the mischief of law of inheritance agricultural land holdings in Bangladesh are being divided and fragmented every year which make them uneconomic for development, through application of modern means of production. This is one of the main reasons for which more and more farmers are turning into landless labourers with very little scope of full employments for a subsistence. As the holding are small and becoming smaller day by day, cultivation is continuing with the traditional system and unless some positive measures are taken to remedy the meenace of subdivission and fragmentation of holdings it will allways remain a far cry to make any effective development in the agricultural sector.

CO-OPERATIVE STRUCTURE

There are two types of cooperatives, working side by side in Bangladesh. One is known as traditional 3-tier cooperatives led by BJSU-National Cooperative Union of Bangladesh with logistic support of the Cooperative Department since 1962. The other is BRDB cooperatives supported by a rural development program. The BRDB 2-Tier coops were committed to be self-reliant within five years but they could not become self-reliant in course of last 20 years

The present management of the Bangladesh Jatiya Samabaya Union has been working to convince the government of the exigency and urgency of re-sturcturing the entire Cooperative movement to build a viable, strong and production oriented Co-operatives in the country.

(2)

In the context of the above proposition the current changes, trends and developments took place in the Cooperative movement of Bangladesh can briefly be narrated as follows;

(1) On National Cooperative Policy

On the request of the Bangladesh National Co-operative Union, Government has set up a National Cooperative Policy Draft Committee with representatives from BJSU. The Committee has completed its draft and expected to place it before the Parliament soon.

(2) On Amendment of Coop. Act, Rules and Regulations:

On the demand of the present management of the BJSU, Government has set up a committee with representatives from the Union for amendment of certain provisions of the Coop. Act, and Rules with regard to registration, management, election, etc., aiming to democratization.

(3) On Management of Cooperatives:

On our demand recently the government has issued directives to all cooperatives to hold election for restoration of democratic management and replace all government appointed committees at all levels for complete democratization of the cooperatives. We are proud to say that by now more than 90% of the total co-ops are presently run by democratically elected management.

(4) On the Reorganizing and Restructuring of the Coops.:

In collaboration with BJSU, the government with assistance from UNDP recently conducted a study on Cooperatives for restructuring the movement. The study report is under finalisation. The study is likely to suggest restructuring and reorganizing both traditional and two-tier cooperatives into a single discipline in order to ensure effective cooperative movement and also to create and generate employment opportunities in local small coop. organizations.

(5) On Delinking Commercial Banks from Lending to Coops.:

The BJSU has submitted proposal to the government to channel all types of cooperative credit through the Bangladesh Samabaya Bank Ltd. (National Coop. Bank of Bangladesh) and its network upto grass root level. The government is examining the proposal for restructuring the Co-operative Banking System.

(6) On Education and Training:

The present management of the BJSU has taken up a Nation-wide training program on Co-operative education and management in collaboration with the District Co-operative Unions. Under this program all the 64 districts of Bangladesh will have one 2-week training course for 25 Co-operators and Managers in 1989.

(3)

We have proposed the co-operative department to develop the Bangladesh cooperative College and 8 Zonal Training Institutes for providing effective institutional training to the co-op. leaders and managers to be selected by the BJSU. The government has also been requested to provide all out support to the National Cooperative Union(BJSU) and the District Cooperative Unions in its efforts to set up modern Publicity and Extention Units to organize and conduct Cooperative Membership education at the primary society level and also to make them conscious about their rights and obligations and make them aware how to harness facilities available for them from various government and non-government agencies to improve their qualities of life by developing their co-operative societies.

(7) On Involvement of ICA in the promotion and Development of Cooperative Movement in Bangladesh:

The ICA provided support for holding a National Seminar on Development of Consumer Coops. in Bangladesh and it is going to hold an International Seminar on Member Participation in Cooperatives in May 1989. The participation of the Secretary, Ministry of Local Government, Rural Development and Cooperatives in ICA events in Singapore along with national cooperative leaders have contributed in organizing and establishing a closer understanding and more cordial workable situation between Cooperative Union of Bangladesh and Ministry of LG, RD & Cooperatives and other relevant agencies. The present State Minister-in-charge of the Ministry of LG, RD & Cooperatives, Additional Secretary in-charge and Registrar of Cooperative Societies are keen to extend support to the Bangladesh National Cooperative Union in its efforts to execute the development programs. The ICA has organized support and assistance for a study of Fishery Coops. and a ICA expert is working to prepare materials for 2 development projects for development of Fishery Coops. with support and assistance from Canadian Co-operative Association.

In the background of the changes, trends and developments took place recently we look forward for restructuring and revitalization of cooperatives, in the days ahead unfold.

Thank you .

**COOPERATIVES
IN
NATIONAL DEVELOPMENT**

india



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Cooperatives in National Development

The cooperative sector has emerged as one of the important segments of Indian economy. It has played a very important role in supporting national efforts for development. With its 315,000 cooperative societies and membership of 150 millions the sector has pervaded practically all aspects of socio-economic life of the people. Its organisational set up emanates from village to national level.

2. After independence, the nation has adopted planned economic development for multi-facet development of the people. The National Development Plans are formulated every five years and these plans specifically recognise cooperation as a very significant system for socio-economic development of the country.

3. Main objectives of National Development Plans are :

- (a) Raising the productivity level of economy;
- (b) Alleviation of poverty;
- (c) Creation of additional employment opportunities for the people;
- (d) Improving the quality of life of the people so as to make them responsive and productive citizens.

Cooperative sector with its vast organisational network has made significant contributions to support the government and the people for the achievement of the aforesaid objectives of national development.

RAISING AGRICULTURAL PRODUCTIVITY

4. After independence, Indian agriculture has made tremendous progress. According to Annual Report (1987-88) of Ministry of Agriculture, Govt. of India, foodgrains production increased from 50.8 million tonnes in 1950-51 to 152.4 million tonnes in 1983-84. However, in 1984-85 foodgrains, production was 145.5 million tonnes. In 1985-86 it increased to 150.44 million tonnes. Production of sugarcane increased from 57 million tonnes to 170.6 million tonnes during the period 1950-51 to 1985-86. Oilseed production, which was 5.16 million tonnes in 1950-51 increased more than double to 10.83 million tonnes in 1985-86. Similarly, production of cotton (lint), jute and mesta increased from 3.04 million and 3.30 million bales to 8.73 million and 12.65 million bales respectively during the same period.

5. Analysis of growth rate in agriculture reveals that during the period 1900-1950 the growth rate in agriculture was 0.3 per annum. But it shot up to 2.65% during the period 1949-50 to 1978-79. The growth rate further increased during Sixth Five Year Plan and was estimated to be 3.59%. In Seventh Plan, which is under implementation, compound growth rate for foodgrains is expected to be 3.48% to 4.06% per annum; for oil seeds 6.72%; for sugarcane, 3.81%; for cotton 4.84%. for jute and mesta 4.84%. Thus, productivity level of Indian agriculture has been growing. Significant achievement in this context has been self-sufficiency in foodgrains and stability in production. It has been estimated by National Institute of Nutrition that against per capita per day food requirements of 440 gms. actual net

availability was 478 gm. per capita per day in 1983-84. This is definitely a very encouraging sign of improvement in agricultural productivity.¹

6. Contribution of cooperatives in raising agricultural productivity has been in following areas :

- (a) Provision of investment support through short-term, medium-term and long-term agricultural credit;
- (b) Supply of agricultural inputs e.g. fertilisers, seeds, insecticides;
- (c) Harnessing of irrigation potential particularly minor irrigation;
- (d) Provision of processing and marketing support for ensuring better price to the farmers for their produce.

AGRICULTURAL CREDIT

7. Till 1969, cooperatives were the sole agency to provide agriculture with investment and working capital finance. After 1969, with the adoption of multi-agency approach to agricultural finance, nationalised commercial banks and regional rural banks have also been inducted for providing agricultural credit in addition to cooperatives. According to statistical figures published by Government of India (Annual Report 1987-88 of Ministry of Agriculture) total amount of institutional credit for agriculture during the year 1986-87 stood at Rs. 72030.7 millions, of which cooperatives have provided Rs. 35080.7 millions (Rs. 26725.3 millions as short-term loan; Rs. 2838.6 millions as medium-term loans; and Rs. 5516.8 millions as long-term loans). Short-term loans are provided for production purposes while medium-term and long-term loans are for investment finance, particularly for developing minor irrigation, soil conservation and land development, etc.

8. Cooperative sector of the country has developed separate institutional structures for short-term and medium-term agricultural credit and long-term agricultural credit. The former one consists of village level primary agricultural credit cooperative societies affiliated with central cooperative banks at district level which in turn are affiliated with provincial level state cooperative banks. Institutional framework of long-term agricultural finance consists of primary land development banks affiliated with central land development banks at provincial level.

9. Entire organisational set-up of agricultural finance is linked with National Bank for Agriculture and Rural Development. This Bank supports cooperative agricultural financing system by providing refinance at concessional rate of interest.

10. Seventh Five Year Plan which is under implementation emphasises the importance of adequate flow of credit to weaker sections, particularly to small farmers. There is well defined national policy that certain percentage of total agricultural finances provided by cooperative credit agencies should essentially flow to small and marginal farmers. This is in view of the fact that major portion of Indian farming population consists of small and marginal farmers.

SUPPLY OF AGRICULTURAL INPUTS

11. Of the agricultural inputs, fertilisers constitute the main segment. After independence, there has been a phenomenal progress in fertiliser consumption. In 1950-51, the consumption of fertilisers by Indian agriculture was almost at zero level. But in 1986-87, it reached the level of 48.45 kg per hectare. There has been growing awareness among Indian farmers to use fertilisers. During the current year, in spite of drought situation in many parts of the country, fertiliser consumption is expected to be around 9.1 million tonnes fertiliser nutrients against 8.74 million tonnes in 1986-87.²

1. New Strategies for fighting poverty through Agricultural and Rural Development in India by Mr. Buta Singh Minister of Home Affairs published by Indian Council for Agricultural Research; & Seventh Five Year Plan Vol. II of Govt of India.
2. Annual Report (1987-88) of Department of Agriculture & Cooperation, Govt. of India

12. Till 1969, cooperatives were principal supplier of fertiliser inputs to Indian agriculture. But now private trade has also entered into fertiliser distribution business and cooperatives have to face stiff competition. In 1986-87 cooperatives distributed around 3 million tonnes of fertilisers accounting for about 35% of total fertilisers distributed in the country. In order to achieve self-sufficiency and unobstructed supply of fertilisers, cooperative sector has set up two giant fertiliser units viz. Indian Farmers Fertiliser Cooperative Limited (IFFCO); and Krishak Bharati Cooperative Limited (KRIBHCO). The fertilisers produced by these units are essentially distributed through cooperative channel and the price of their fertilisers is lower than that charged by private sector. Cooperative sector has established more than 60,000 fertiliser retail outlets till March 1986.

13. Another important agricultural input is improved seeds. There has been growing consciousness among Indian farmers to use improved varieties of seeds. Central Government have set up National Seeds Corporation and State Farms Corporation of India. Besides, State Seeds Corporations have also been set up in different states to produce and market improved varieties of seeds. Village primary societies and market cooperatives distribute these improved varieties to their members. Similarly improved agricultural implements are also supplied by cooperatives. National Federation of Agricultural Cooperative Marketing Federation (NAFED) has set up a unit for manufacturing agricultural implements and machinery. Besides, 17 State Agro Industries Corporations have also been undertaking manufacture and distribution of improved agricultural implements and hand tools. Cooperatives function as distributing agency of these units.

14. Similarly in case of distribution of insecticides and pesticides cooperatives play an important role. With the result, use of pesticides has increased quite rapidly since the beginning of first five year plan when it was only 2.35 thousand tonnes. At present the figure for consumption of pesticides stands at 75000 tonnes during 1987-88.³

15. Other important indication of improvements in agricultural productivity is increasing use of high-yielding varieties for the crops of Rice, Wheat, Jowar, Bajra, Maize. In the beginning of green revolution i.e. 1960-61 when intensive agricultural development programmes commenced, only 1.89 million hectares were under high yielding varieties programmes. In 1987-88 as much as 55.00 million hectares have been brought under high-yielding varieties programmes. Cooperatives have been principal agencies in supplying seeds for these high-yielding varieties, which has led to self-sufficiency in food-grains.⁴

HARNESSING OF IRRIGATION POTENTIAL

16. The total irrigation potential from major, medium and minor irrigation is estimated at 113.5 million hectares of which 58.5 million hectares are from major and medium schemes and 15 million hectares are from minor schemes. The following table gives information about development of irrigation potential since first five year plan.

IRRIGATION POTENTIAL AND UTILISATION (1950-85)

(Million hectares)

S. Item No.	Ultimate Potential	1950-51		1979-80		1984-85	
		Potential	Utilisation	Potential	Utilisation	Potential	Utilisation
1. Surface Water	73.5	16.1	16.1	34.6	30.6	40.2	34.3
(a) Major and Medium	58.5	9.7	9.7	26.6	22.6	30.5	25.3
(b) Minor	15.0	6.4	6.4	8.0	8.0	9.7	9.0
2. Ground Water	40.0	6.5	6.5	22.0	22.0	27.7	26.1
Total	113.5	22.6	22.6	56.6	52.6	67.9	60.4

Source : Seventh Five Year Plan, Govt. of India.

3-4. Annual Report (1987-88) Deptt. of Agriculture & Cooperation, Govt. of India.

17. In this task cooperatives have played very significant role in creating irrigation potential through minor irrigation and ground water utilisation. Land Development Banks' role in this respect has been worth appreciation. These banks have been advancing loans for a variety of minor irrigation schemes such as sinking of wells, construction of new tanks; boring, deepening, re-construction and repairs of wells; lift irrigation; pipe-line for irrigation; sprinkler/drip irrigation, installation of pump-sets and others. The following table records performance of these banks in the sphere of minor irrigation finance for the year 1986-87.

			(Rs. in Million)
Sl. Item No.	No.	Amount	
I. Sinking of Wells			
(a) Ordinary	379	10.7	
(b) Schematic	90207	944.3	
II. Construction of New Tanks			
(a) Ordinary	342	3.3	
(b) Schematic	2732	10.9	
III. Boring/Deepening/Re-construction and Repair of old Wells			
(a) Ordinary	1755	16.2	
(b) Schematic	22885	162.4	
IV. Lift Irrigation	1488	148.0	
V. Pipeline for Irrigation			
(a) Ordinary	272	22.1	
(b) Schematic	3318	49.3	
VI. Sprinkler/Trip Irrigation			
(a) Ordinary	4814	43.9	
(b) Schematic	1420	47.3	
VII. Installation of Pumpsets	157083	1294.2	
VIII. Others			
(a) Ordinary	479	5.91	
(b) Schematic	1100	786.0	
<hr/>			
Total (a) Ordinary	8044	102.0	
(b) Schematic	280233	2716.8	
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Source : Statistical Bulletin published by National Cooperative Agriculture and Rural Development Banks Federation.

CREATION OF INFRASTRUCTURE FOR PROCESSING AND MARKETING OF AGRICULTURAL PRODUCE

18. One of the important thrusts of agricultural development during post-independence period has been to ensure better price and benefit of value addition to agriculturists. To achieve this end efforts have been made to create effective agricultural marketing and agro-processing set-up. A bi-pronged strategy has been contemplated. Firstly, in all the mandis regulated markets would be established for controlling unfair market practices and secondly farmers will be encouraged to organise cooperative marketing and processing institutions so that they are in a position to reap the benefit of the system. At the end of the 6th plan period, number of regulated markets stood at 5600 against 286 at the beginning of first plan. The States of Kerala, Nagaland, Jammu & Kashmir and Sikkim are yet to enact law regarding regulated market. Seventh plan contemplates establishment of 200 regulated markets, 50 terminal markets for fruits and vegetables and 1500 primary rural markets.⁵

19. Cooperative sector has covered practically all the primary marketing points in the country. Organisational set-up of marketing cooperatives consists of primary marketing societies at mandi level, their associations at district level and state level cooperative marketing federations federated into National Agricultural Cooperative Marketing Federation of India known as NAFED. During the year 1986-87 cooperatives marketed agricultural produce worth about Rs. 40140 millions. Of this, three commodities namely food-grains, sugarcane and cotton, accounted for 75%. Important aspect of role of marketing cooperatives in ensuring reasonable prices to cultivators is their involvement in the implementation of minimum price support operations announced by the Government. Under these schemes effective linkage between marketing cooperatives with public sector commodities corporations, such as Food Corporation of India, Cotton Corporation of India, Jute Corporation of India etc, is established. Central Government has appointed National Agricultural Cooperative Marketing Federation of India Ltd. as nodal agency for implementing price support operations in regard to pulses, ground-nut, soyabean and sunflower. Besides, Central Government also utilises services of NAFED and State Coop. Marketing Federations for undertaking market intervention for ensuring price stability for the benefit of cultivators.⁶

20. The total number of cooperative agro-processing units till 1986-87 was 2388, of which cooperative sugar factories and spinning mills constitute principal segment. Cooperative sugar factories, 216 in number (of which 203 units have been installed), are producing 56 per cent of nation's sugar production and their average capacity utilisation was 100 per cent against 92.1 per cent of sugar industry as a whole in 1986-87. Average sugar recovery of cooperative sugar factories is 10.27 per cent.⁷

21. So far as cooperative spinning mills are concerned, they are of two types—growers' mills and weavers' mills. Total number of installed cooperative spinning mills was 100 in 1986-87, accounting for 18% of total spindlage. Other important agro-processing units are rice mills, dal mills, cotton ginning and processing units, oil mills, jute baling units and fruit and vegetable units.⁸

22. Recently Government has announced priority for development of oil seed processing. In line with this, integrated oil seed cooperative complexes are being set up. So far three soyabean oil complexes have been set-up in the country. Besides one vegetable oil unit has also been established. In addition to these units; solvent extraction plants (2 soyabean solvent plants and one cotton-seed solvent extraction unit) are being set-up. The National Dairy Development Board, a parastatal organisation is the nodal agency for implementing oil seed cooperative development programme.

STRENGTHENING OF INFRASTRUCTURE

23. Cooperatives have been playing a very important role in strengthening infrastructure, particularly

5. Seventh Five Year Plan Vol. II, Govt. of India.

6, 7, 8. Annual Report (1987-88) of Department of Agriculture and Cooperation, Govt. of India.

for agricultural development. Cooperatives have created cumulative storage capacity of 7.93 million tonnes by the end of Sixth Plan. Seventh Plan proposes to create an additional capacity of 2 million tonnes. Of this, during 1985-86 and 1987-88 additional capacity of 1.42 million tonnes has been created. In 1986-87, total number of rural and marketing godowns in cooperative sector stood at 45,280 and 7246 respectively. Besides, cooperatives have also set up 244 cold storages with a capacity of 0.674 million tonnes upto 1986-87. With the creation of rural and marketing godowns, cooperatives have enabled the farmers to have better holding capacity to get higher prices for their produce in favourable market situation.⁹

POVERTY ALLEVIATION PROGRAMME

24. For poverty alleviation, national development strategy visualises three types of programmes viz. Integrated Rural Development Programme (IRDP) for providing necessary assets to the people below poverty line to enable them to undertake both land based and non-farm activities for self-employment; National Rural Employment Programme for generation of additional gainful employment in rural areas to the extent of 300-400 million mandays per annum; and Rural Landless Employment Guarantee Programme for providing employment guarantee by involving them in various public works. Although these programmes are beneficiary oriented programmes, cooperatives play an important role in providing them with necessary financial and organisational support. Beneficiaries under IRDP are encouraged to form cooperatives such as dairy, poultry, piggery etc. so that an assured avenue for earning is opened to them.

25. Other important section of the poor people, particularly in rural areas, consists of scheduled castes and scheduled tribes. For scheduled tribes, cooperatives known as LAMPS (Large size agricultural multi purpose society) have been organised at village level to undertake triple functions of credit, marketing and distribution of consumer articles in rural areas. Marketing of minor forest produce collected by tribals is undertaken by State Cooperative Tribal Development Corporations and Tribal Cooperative Marketing Federation of India at national level. For scheduled castes also, specific schemes for enrolling them as members of cooperative societies have been formulated. This has resulted in increase in membership of scheduled castes and scheduled tribes in the primary agricultural credit societies including LAMPS & FSS (Farmers' Service Societies). During the year 1984-85, the total membership of these societies was 69.1 million of which 22.58 % belonged to scheduled castes and scheduled tribes. Similarly in case of primary land development banks the total membership as on 30th June 1985 was 72,78,000, of which membership comprising Scheduled Castes and Scheduled Tribes was 0.608 millions and 0.290 millions respectively.¹⁰

GENERATION OF EMPLOYMENT OPPORTUNITIES

26. Cooperatives have aided and accelerated the process of employment generation in two ways: First, by providing necessary institutional set-up and second by providing resources to improve the productive base and income-earning capacity of their members. 3,15,000 cooperative societies of different kinds have provided direct employment to thousands of people. The total working capital invested by cooperatives in various activities is Rs. 4,50,000 millions. This huge investment definitely has generated employment opportunities for the people.¹¹

27. Principal beneficiaries of cooperative support have been the weaker sections of the community such as small and marginal farmers, artisans, weavers, landless agricultural labourers etc. Cooperative sector has organised 50,000 dairy cooperatives, 7400 fisheries cooperatives and 19,000 labour contract/forest

⁹ to 12.(i) Annual Report (1987-88) of Department of Agriculture and Cooperation, Govt. of India.

(ii) Cooperative Movement in India : A Statistical Profile, Department of Agriculture & Cooperation, Govt. of India.

labour cooperatives. For providing employment to artisans and weavers, industrial cooperative and weavers cooperative societies have been organised. Total number of primary industrial cooperative societies as on 30th June, 1985 was 27,531 with a membership of 12,74,018. The number of weavers cooperative societies on the same date was 10,396 with a membership of 8,60,822. These institutions not only help in creating employment opportunities, but they act as agency for ensuring social justice by providing income generating opportunities for the poorer sections of the community.¹²

28. In urban areas also, cooperative institutions have assisted in creating employment opportunities for persons with limited means. Important institutions that provide consumption and production finance to the urban poor are urban cooperative banks. Besides, they also provide working capital finance to small scale industrial units setup by the urban people.

IMPROVING QUALITY OF LIFE OF THE PEOPLE

29. A very wide network of cooperatives and their effective proximity to rural people provide unique status to them in implementing various socio-economic programmes. Apart from economic activities directly leading to improvements in production and income generating capacity of the people, cooperatives are actively involved in undertaking those tasks which improve the quality of the life of the people. These activities include consumer protection, better housing facilities and provision of health and family welfare services.

30. For consumer protection, the Government is running public distribution system to ensure availability of quality goods to consumers at reasonable prices. The commodities under public distribution scheme have been identified on the basis of needs of commonman. These commodities termed as essential commodities include cereals, sugar, edible oil, soft coke, kerosene, controlled cloth, tea, coffee, toilet and washing soap, match boxes and exercise books for children.

31. Cooperatives have been recognised as important agency to implement public distribution scheme. Their main accent is on provision of goods in rural areas. The total retail sales handled by cooperatives in consumer goods during the year 1985-86 was about Rs. 14350 millions. The village level primary societies in non-tribal areas and LAMPS in tribal areas distribute consumer goods. Besides, in urban areas also, wide net work of consumer cooperatives at primary, secondary and national levels has been created. There are 17,748 primary consumer stores; 604 wholesale consumer stores; 25 state consumer federations and National Consumer Coop. Federation. The network of consumer cooperatives is operating more than 80,000 small, medium and large size retail outlets. The total business turnover of consumer cooperatives in regard to retail sale of consumer goods during the year 1985-86 was Rs. 38,000 millions.

32. Providing shelter to common man is yet another important contribution of cooperative sector in improving the quality of life of the people. According to an estimate by National Building Organisation, housing shortage at the beginning of Seventh Five Year Plan was 24.7 million units—18.8 millions in rural areas and 5.9 millions in urban areas. During the period of Seventh Five Year Plan i.e. 1985-1990, additional requirement of housing units would be 16.2 million; of which 12.4 million will be in rural areas and 3.8 millions in urban areas. This shows the gigantic proportion of the housing problem in the country.

33. Cooperative sector has been recognised as an important organisational set up for solving housing problem of the country. The sector of housing cooperatives consists of 40,000 primary coop. housing societies with a membership of 2.8 millions, 24 state level cooperative housing federations and National Coop. Housing Federation of India. These cooperatives have provided a very effective system for providing houses to the poorer section of the community and urban middle class and salaried people. Quality of the houses constructed by the cooperatives has been rated much better than others. Total number of

dwelling units constructed by these coops is 0.7 million. Similar number of houses are under various stages of construction.

34. Involvement of cooperatives in health and family welfare programme is new dimension of their role. In this respect, cooperative institutions educate their members, particularly rural people in the importance of health and family welfare programmes. Cooperatives also distribute family planning items like condom, pills etc. In this respect, active collaboration with governmental agencies and other health and family welfare agencies is established. National Cooperative Union of India being the apex body of cooperatives has taken lead in focussing the attention of cooperatives towards health and family welfare programmes. It is implementing a population education project financed by International Labour Organisation in selected cooperative sugar factories. This project subsequently is expected to have a multiplier effect for motivating other cooperatives to undertake population education and family welfare activities for rural people.

HUMAN RESOURCES DEVELOPMENT FOR COOPERATIVES

35. Growing diversification of cooperative movement has necessitated an effective programme for human resources development for cooperatives. This is undertaken through a comprehensive programme of cooperative education and training. While cooperative education aims at creation of responsive membership and effective cooperative leadership, cooperative training builds up professionals to manage the operations of the organisation.

36. Cooperative education programme is implemented by the State Cooperative Unions under overall guidance and monitoring of the National Cooperative Union of India (NCUI). Of late, emphasis has been on reorienting cooperative education programme to make it need based and development oriented. Special cooperative projects for education-cum-development have been initiated in this direction.

37. For training of personnel, the National Cooperative Union of India has set up a National Council for Cooperative Training which administers one National Institute of Cooperative Management for senior level personnel and 18 cooperative training colleges for middle level cooperative personnel. For junior category of cooperative employees there are 91 cooperative training centres run by the State Cooperative Unions. For improving quality of training, emphasis is laid on faculty development programme. The National Centre for Cooperative Education set up by NCUI organises programmes for cooperative educational personnel and for leadership development.

GOVERNMENT SUPPORT TO COOPERATIVES

38. In line with the approach to cooperative development, the Government is actively involved in the development of cooperative movement specifically in the following directions :

- (i) formulation of various policies and programmes from time to time;
- (ii) enactment of cooperative legislation and its execution;
- (iii) coordination between public sector undertakings and cooperatives; and
- (iv) financial assistance.

39. The Government have set up National Cooperative Development Corporation (NCDC) under a

separate statute of Parliament for planning, promotion and implementation of a variety of cooperative development projects in the sphere of processing, storage, and marketing of agricultural and forest produce, consumer sector and development of the backward areas and the rural sector.

40. Another important agency to provide financial support to cooperatives is the National Bank for Agriculture and Rural Development (NABARD). Besides, various states have set up commodity corporations which operate through cooperatives.

ROLE OF NATIONAL COOPERATIVE UNION OF INDIA

41. The National Cooperative Union of India (NCUI) is the national cooperative organisation of all national, state and multi-state cooperatives. With 150 million members at the primary level, it represents entire cooperative movement.

42. The National Cooperative Union of India is the spokesman of the Indian Cooperative Movement at national and international forums. Its role is that of a leader and a promoter of cooperative to cooperative activity in every field.

43. Achievements of National Cooperative Union of India are manifold. They range from promotion of cooperative ideology and principles to the training of leaders and employees; from taking measures for removing regional imbalances in cooperative development to field research, liaison with Government, the Planning Commission and international organisations, providing consultancy services to its member organisations and promotion of International Cooperative Trade.

PERSPECTIVE

44. The nation is making preparations to meet the challenges of the 21st century and so is the cooperative movement. The cooperatives are visualising social, economic, political and technological changes that may happen in the next century. In view of this, the following may be the future directions of development of the cooperative movement :

- Building up a mechanism to formulate its own plan of development at micro and macro levels;
- Evolving a system within the movement to collect, tabulate and analyse statistical information for projecting its performance and achievements as the existing arrangement serves no purpose due to years' time lag;
- Modernising the working at institutional level by introducing computerisation and other adoptable technological changes;
- Developing internal financial resources to become self-reliant;
- Strengthening intra and inter-cooperative relationship for making cooperation as a powerful reliable economic system in the country;
- Strengthening base level institutions for bringing about overall organisational efficiency;
- Assigning priority to cooperatives undertake such vocations as have major involvement of the weaker sections of the community such as the tribals, the landless, unemployed and under-employed, fishermen, weavers, artisans, etc;
- Taking effective steps to remove the existing imbalances in the growth of cooperative movement all over the country;

- **Diversifying and expanding cooperative education so as to motivate all sections of the society especially the younger generation and women to participate in the cooperative movement, and to make it development oriented;**
- **Building up professionalisation by strengthening cooperative training programmes;**
- **Democratising functioning and management of cooperatives by removing restrictive provisions from cooperative law;**
- **Extending horizon of the movement to new areas.**

REPORT : RECENT TRENDS IN THE COOPERATIVE MOVEMENT IN INDONESIA
1988/1989
BY : ICA Regional Councillor of Indonesia

EDDIWAN

DEWAN KOPERASI INDONESIA
JL. LETJEN. S. PARMAN KAV. 80, SLIPI, JAKARTA 11420.

REPORT : RECENT TRENDS IN THE COOPERATIVE MOVEMENT IN
INDONESIA 1988/1989
by ICA Regional Councillor of Indonesia
E D D I W A N.

A. GENERAL

1. Country : Indonesia
2. Name of Member Organization : Dewan Koperasi Indonesia (DEKOPIN)
3. Period of Reporting : May 1988 till May 1989.

B. STATE AND COOPERATIVE DEVELOPMENT.

1. Due to decrease of oil prices in the international market state revenues from oil exports for the year 1986/1987 up to date were below the expectations of the planners. To overcome problems in national economic developments caused by the decrease of state revenues, the government issued a national plan on export and import commencing 6 May 1986 to promote exports of non-oil products. This policy was in certain instansies very successful. Within 3 years time export of non oil products has exceeded those of oil products. In many instances cooperatives have also played important role in achieving the objective of this policy, in particular cooperatives which could identify relevant commodities for export. These were among others products of peoples small estates, like rubber, tea, coffea coco, and pepper ; fishery products like shrimp and handicraft products. Nevertheless, nearly all export activities were still executed by private business or private counterparts.
2. On 27 th October 1988 the government issued a packet of regulations on credit and banking, which certainly influence cooperative development in urban as well as rural areas, since private banks obtained free operation in rural areas.
3. Plans for cooperative developments in this report period were included in the 4th 5 year National Development Plan, known as the "REPELITA - IV" covering the period of 1984/85 to 1988/89. Results achieved so far seem not to meet the expectation due to the current national and international economic conditions.
4. Government sponsored cooperatives in Indonesian were reflected in the afore mentioned REPELITA - IV, namely agricultural oriented rural cooperative identified as Village Unit Cooperatives (KUD = Koperasi Unit Desa). These cooperatives played the role of distributors of farmers inputs like fertilizers and agricultural equipmnets and the marketing of farmers produce, partly to serve the rice procurement programme of the Government.

5. The Department of Cooperatives in Indonesia is a full ministry installed since the end of 1983, comprising : a Directorate General for the promotion of Cooperative Institution and a Directorate General for the promotion of Cooperative Business. This progressive gesture of the Government during this 5 year period seem to have impact towards the maturing process of the movement in general and the Cooperaative Council in partionlar. The new board of the council (installed August 1988) with new blood and ideas under leadership of Prof. DR. Sri-Edi Swasono as the elected President, has taken strategie steps (known as the 10 "Commend ments" of DEKOPIN)to overcome negative impacts in cooperative development efforts in cooperation with the government.

C. COOPERATIVE LEGISLATION AND ORGANIZATION.

During the period of this report there have been no state amendments to cooperative legislation in Indonesia, although a special team comprising government and Movement has been installed to study possible amendments to smite to the new conditions.

D. NATIONAL COOPERATIVE ORGANIZATIONS (NCOs).

1. During the report period there were no changes in the role and organizational structure of National Cooperative Orgabizations.
2. The Cooperative Bank of Indonesia (BUKOPIN) has made important progress in its role in cooperative development during the last years and achieved the 4th rank (from ranking 25) among national banks operating in Indonesia.
3. Problems faced by NCOs in promoting cooperative development were predominantly related to marketing of members produce, due to lack of market imformation and business experience.

E. COOPERATIVE ACTIVITIES.

1. Achievements and problems in cooperative activities during the report period in several sectors were distinguished as the following :

a) Agriculture.

Village Unit Cooperatives (KUDs) have been active in promoting supply of inputs and marketing of agricultural produce.

Supply of fertilizers from state owned factories through agricultural cooperatives which up to last year only covered a small percentage starting 1989 has been changed into 100%, which indicated the serious support

of the Government. The DEKOPIN has instructed its 27 branches all over Indonesia to monitor the numbers of agricultural cooperative (KUD), their farmer members and their real need of fertilizers to avoid failures. Since 3 years ago there was now also a tendency of an urgent need of the establishment of a strong saving and loan unit as an arm of the KUD to serve the need of cheap small loans of the rural community.

b) Fisheries.

Fishermen's Cooperatives were still facing the crucial problem of marketing the members catch on the other hand, recently more and more fishermen's cooperatives have been involved in shrimp and tuna catch for export.

c) Consumer.

The sector of consumer cooperatives has not made any important progress in this country. A study mission of the ICA-RO to study the possibilities in this area is an urgent need in the near future. In the whole country there was only 1 (one) cooperative supermarket operating on a separate programme of a provincial cooperative federation of KUD.

d) Credit and Banking.

1) During the report period, the Cooperative Bank of Indonesia (BUKOPIN) has inaugurated 5 (five) new branches in 5 different provinces; preparations of 2 new branches were in process.

2) A team composed of representatives of the movement and of the Government were making study to promote the credit units in agricultural cooperatives (KUDs).

e) Trade and Industry.

Small scale industry and handicraft which for a long time were making part of the KUD (Village Unit multipurpose cooperatives) during the last 2/3 years trend to part from the KUD and organize themselves into specialized cooperatives, called KOPINKRA. Nevertheless they were still facing the problem to obtain legal status.

f) Tour and Travel (Tourism).

In view of the increasing flow of travels of cooperative members of ASEAN Countries, in 1987 the Indonesian Cooperative Council under the orientation

of ACO (ASEAN Cooperative Organization) has set up a coordinating body of cooperative travel agencies under the coordination of " Bhayangkara Travel ", In March this year the Coordinating body has been developed into a Tourism, Tour and Travel Cooperative under Cooperative Law no. 12/1967.

F. COOPERATIVE EDUCATION AND TRAINING.

1. a) To promote cooperative management and member participations, an ILO-SWISS Project on Training and Development has been set up in 1984, as a joint undertaking of the ILO and The Government of Indonesia. The Project has been operating in cooperation with the Indonesian Cooperative Council (DEKOPIN). It terminated in June 1988. The cooperative movement is now operating the member education on self financing basis in several promices where the project has terminated its operations.
 - b) For the purpose of promotion of member education for member participation, the DEKOPIN has issued "The Suluh Koperasi" a popular two weekly newspaper distributed free of charge to primary cooperatives throughout the country. And for medium and higher level cooperators, a 3 monthly magazine, "PIP", is serving for information and education purposes.
2. Achievements and problems in promoting Cooperative Education and training :
 - a) Government : The Government Operate 27 Cooperative Training Centres in 27 Provinces and one National Cooperative Training Centre in Jakarta. From the viewpoint of the Cooperative Movement (through the Cooperative Council), policies and standards of education and training have not yet met the expectations of the movement.
 - b) The Cooperative Council : In the report period, the Indonesian Cooperative Council (DEKOPIN) supported by recommendations of a joint meeting of Government and Movement representatives has set up a permanent council representing the government and the movement to compose policies and standards suitable to the changing needs of cooperatives, called the National Council for Cooperative Education (Majelis Pendidikan Koperasi).
 - c) The National Cooperative Organization : In 1984, 19 National Cooperative Organization through their Apex organization (the DEKOPIN) have established a National

Cooperative Education Foundation (YPK) for cooperative higher education. Since 1984 The YPK has been managing a university level Institute for Cooperative Management (IKOPIN) comprising a Faculty for Financial Management, a Faculty for Production and Marketing management and a Faculty for Human Resources Management. Besides, 12 (twelve) Cooperative Academies spread over several Provinces were managed by local Cooperative Education Foundations of the local Cooperative Council. The problem of difference of curricula as a result of different local conditions has been overcome by a council chaired by representative of IKOPIN, called BAKORDIKTI.

d) Cooperative Training Institutions.

Most of the Cooperative Training Institutions are owned and run by the government without any payment. This condition is closely related to the implementation of government programmes on cooperative development, which resulted that courses organized by the movement on self financing basis became very scarce, with the exception of technical trainings initiated by National Federations.

e) Others : Cooperative Education and Training are also undertaken by other institutions, among others :

- the non governmental organizations (NGOs).
- the Credit Union Coordination Office.
- the PKK (Women's Organization Activities in Villages).

3. The Ministry of Education and Culture has issued an instruction to teach cooperation in schools, Colleges and Universities. Based on a gesture of the President of the Republic of Indonesia this year the Cooperative Council also has set up a committee to prepare a seminar to review cooperative education, starting with the curriculum at universities.

4. School, College and University Cooperatives have organized themselves into a national youth cooperative : The Koperasi Pemuda Indonesia (KOPINDO) with 55 primary cooperatives.

Board of Executives which changed every certain time as a result of outgoing students is one of the problems that emerged regularly. Another problem is how to attain good managers to run the business.

G. COOPERATIVE STAFF DEVELOPMENT.

1. The Indonesian Cooperative Council and the Ministry of Cooperative have assigned the afore mentioned Institut for

Cooperative Management (IKOPIN) to undertake a survey on cooperative manpower. Its findings and observations are expected to give a picture of personnel needed by cooperatives within the next 10 years.

2. Staff training conducted by the movement are mostly emphasized on the promotion of member participation while governments training on the management and business developments.
3. Staff training conducted by the movement mostly are executed by federations. For rural agricultural cooperatives, trainings of staffs are conducted mainly in connection with the 5 years development plan and therefore executed in government training centres.

H. YOUTH AND COOPERATIVES.

1. Youth Cooperatives have been organized into a national federation, the KOPINDO. The KOPINDO comprises 4 types of youth cooperatives, namely :

a) University Students Cooperatives	31.
b) Moslim Boarding School Cooperatives	11.
c) Boy Scout Cooperatives	4.
d) Other Youth Cooperatives	9.

T o t a l 55 *)

*) not included Junior and Senior High School Students Cooperatives.

Youth Cooperatives are considered a "practical training institution" for future cooperative leaders, cooperative members, as well as managers.

2. Beside the Department of Cooperatives, also the Department of Education and Culture are actively sponsoring the youth cooperatives. Especially in vocational schools for business (SMEA), school cooperatives are connected with the curriculum.
3. Youth associations in schools are mostly not connected with youth cooperatives, since they are supported by different organizations of parents and teachers.
4. Youth Cooperatives in Schools are mostly to face competition with private business which sometimes are supported by personnel of the same school who earn additional income from this collaboration.
5. Non Government assistance in organising youth cooperatives

are among others :

- a. from the Moslem Boarding Schools (Pondok Pesantren).
- b. from the Boy Scouts Movement (Gerakan Pramuka).

I. WOMEN AND COOPERATIVES.

1. a) Women participation is widely spread over nearly each type of cooperative in Indonesia, as ordinary member as well as member of the board or as manager or staff personnel.
b) Beside the women cooperators in several types of cooperative societies, there are cooperatives solely for women members (Women Cooperatives) : 319 societies in total, with 79,596 members and Rp. 262.561 Million business.
c) The Indonesian Cooperative Council (DEKOPIN) has a special arm to promote women participation in cooperatives, known as the Coordinating Body for Women Cooperators (B.K.W.K), at national as well as at Province level.
2. There are 3 government indtitutions promoting women participation in cooperatives, namely :
 - a) The Directorate General for the Promotion Cooperative Institution (Dept. of Cooperatives).
 - b) The State Ministry for the participation of Women in Development, through an integrated project of "guidance on the role of Women in creating a healthy and prosperous family".
 - c) The Minstry of Manpower, through the programme of increasing productivity of women workers.
3. There are 4 Nation Wide Women Organizations also promoting cooperatives among their members, namely :
 - a) The KOWANI (National Union of Indonesian Women).
 - b) The DHARMA WANITA (National Union of Wives of Government Officers).
 - c) The DHARMA PERTIWI (National Union of Wives of Armed Forces Personnel).
 - d) The PERWARI (National Union of Women of the Republic of Indonesia).
4. Women Cooperatives in Indonesia are considered temporary organizations as "Cooperative Schools" for women to enter the Cooperative Movement. The problem lies in the temporary nature.
5. Non Governmental organizations sponsoring women cooperatives are among others :

- a) foundations : as the "Yayasan Bunga Nusantara", Jakarta, which recently initiated the Pusat Koperasi Bunga Indonesia (Flowers Cooperative of Indonesia).
- b) PKK - Organizations in villages and Kampongs, which organized pre cooperatives among women folk.

J. COOPERATIVES AND THE POOR.

1. According to the "Guide Lines of State Policy" (GBHN) 1988 cooperatives are considered as a means to upheave the standard of living of low income groups and is therefore as a strategy of development in alleviating poverty in Indonesia.

2. Achievements in alleviating poverty are a.o :

- a) the efforts to supply fertilizers and insecticides to farmers, respectively 388,598 Tons and 3.042,456 Kg/Liters (average annually).
- b) rice etc. marketed for national stock and for local markets resp. 1,932,700 Tons and 69,4 Tons (average annually).
- c) cloves marketed : 20,385,500 Tons total value of Rp. 152,853,8 Million (average annually).

*) 1 US\$ eq Rp. 1.750 (1988).

3. Some types of Government sponsored cooperatives for the poor are the Village Unit Cooperative (KUDs). Special forms of assistance rendered are among others : (average erage annually).

- a) Credit guarantee for poor cooperatives : 2,105 coops with Rp. 127,202 Million (guaranteed loan).
- b) Petty Trade loans (KCK) to small traders and handicraftsmen to 4,820 societies for 12,835,945 clients covering a total of Rp. 145.683.9 Million.

4. Some NGOs in Indonesia are assisting in organizing cooperatives for the poor, a.o the selfhelp promoting organizations :

- The LSP, LP3ES, BINA DESA, BINA SWADAYA, PEKERTI,HP2W, PPMA.
- The BK3 (Credit Union Coordination of Indonesia). These NGOs have organized themselves with the DEKOPIN into a Forum for Cooperative promotion or FORMASI.

K. INTER COOPERATIVE TRADE.

1. Inter cooperative trade has been carried out between :

- Village Unit Cooperative (Federation) with Poultry Cooperatives (for D.O - Chiks).
- Village Unit Cooperatives and Gov't Servants Cooperatives (for rice).

2. Problems : Competition and fluctuations in prices of chicken, eggs and feed.

L. INTERNATIONAL COOPERATIVE TRADE.

1. An important arm of the Department of Cooperatives is the Directorate General for the promotion of Coop. Business. Commodities with export potentials are a.o :

- Small estate products : tea, coffee, rubber, pepper, vanilla;
- fishery products : shrimps;
- handicrafts : wood carvings, rattan furnitures and assocarries. batiks.

2. In October 1986 the BPUK (National Cooperative Trade Office of DEKOPIN) has organized a gathering of buyers and sellers in Bali for the promotion of International Trade. In 1987/1988 exports of shrimps have been undertaken between Indonesia and J.C.C.U. Japan.

3. ICA - COOP TRADE has not any role yet in promoting international cooperative trade in Indonesia.

M. COOPERATIVE CONGRESSES/CONVENTIONS/and CONFERENCES/SEMINARS.

1. The XII th Congress of Cooperative Movement (MUNASKOP XII) and DEKOPIN Members Meeting in July 1988, has elected new Board of DEKOPIN under the leadership of Prof.Dr.Sri-Edi Swasono, consisting of 45 plenary and 17 executive board.

2. In 1989 : the Cooperative Council of Indonesia has on its programme a.o :

- a) workshop on the span of control of KUD.
- b) a seminar on creation of job opportunities through cooperatives in Indonesia.
- c) a seminar on Stock ownership by cooperatives in State as well as private enterprises.
- d) a seminar on cooperative education in Universities in Indonesia.

N. NEW AND SPECIALISED COOPERATIVE DEVELOPMENT ACTIVITIES.

1. Specialised Cooperatives.

- a) In June and July (2 month) 1986 and repeated in 1987 personnel and workers of a KUD in Sukabumi district have undergone training in coal-mining from a special team of ministry of mining. This cooperative will undertake coal mining with special permit of the government.
 - b) During the report period, in some provinces, staffs of cooperatives (KUD) were trained for rural electrification activities as a collaboration of Cooperatives with the State Electricity Company, PLN in rural areas.
 - c) Specialised Rural Electricity Cooperatives in Lombok, Lampung and Luwu, have been operating since 1976 in collaboration with US-AID.
2. Achievements : Mining was for a long time only undertaken by the government, evenso electrification. Recent changes in government policy give room for cooperatives to ,manage these enterprises on behalf of the government.
 3. In March this year the coordinating body of cooperative tours and travel agencies, has been developed into a Cooperative on Tourism and Travel called BUPARKOPIN (Badan Usaha Pariwisata Koperasi Indonesia).

O. TECHNICAL AND FINANCIAL ASSISTANCE.

1. Sectors where technical and financial assistance were provided are a.o. :
 - a) Agriculture production and marketing ;
 - b) handicraft and small scale industry ;
 - c) small trading (KCK) ;
 - d) dairy ;
 - e) fishery ;
2. The Department of Cooperatives, The Junior minister for animal husbandery and Fishery, The Department of Transmigration and Department of Agriculture are Government Departments promoting cooperatives in Indonesia in their respective fielus.
3. Problems : many cooperatives have become dependant on government assistance. Some have received agricultural machineries or buildings, or storage facilities on credit basis which they did not need, or fishing vessels on credit basis and sometimes above their abilities to repey, etc.

P. ICA AND MEMBER ORGANIZATIONS.

P. ICA AND MEMBER ORGANIZATIONS.

1. Areas in which ICA should give special emphasis in Indonesia in order to promote cooperative development are a.o :
 - a) the development of consumer cooperative and cooperative stores ;
 - b) Insurance cooperatives sector;
 - c) Banking Cooperatives sector.

2. Forms of assistance might a.o :
 - a) on the job trainings ;
 - b) project identifications ;
 - c) feasibility studies ;
 - d) trainings related to project identification and perspective planning ;
 - e) management trainings.

3. There are at the moment no ICA on going assistance in Indonesia.
(Points 4, 5 and 6 : not relevant for Indonesia).

Q. OTHERS

A problem to be solved in Indonesia is city services to keep the city clean.
In this regard the area of City Services Cooperative would be an interesting area to explore.

Jakarta, 14 M a y 1989

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COUNTRY REPORT
ON
JAPANESE AGRICULTURAL COOPERATIVE MOVEMENT

TERUKA ISHIKURA

EXECUTIVE DIRECTOR

CENTRAL UNION OF AGRICULTURAL COOPERATIVES

JAPANESE AGRICULTURAL COOPERATIVE MOVEMENT

The situation surrounding Japanese agricultural cooperative movement has been changing seriously. The greatest factor of such change is the progress of internationalization of Japanese economy. Recent years, mutual exchange of human beings, goods, money, information, etc., between Japan and foreign countries has been more actively done. Japanese agriculture and agricultural cooperative movement are as well in such a globalized situation.

Impact of internationalization upon Japanese agriculture and agricultural cooperative movement is, at first, expansion of price gap between foreign and domestic farm products because of the appreciation of yen and this made the imports of agricultural products increased. For example, the amount of the imports of agricultural and fisheries products was over 30 billion yen in 1988 for the first time, which is 31 percent increase comparing with the previous year. By such a reason, the share of domestic farm products becomes smaller and smaller, and the self-sufficiency rate of foodstuffs on a calorie basis dropped to 49 percent.

The second impact is that liberalization of Japanese agricultural market has made a progress. Because of the trade imbalance between Japan and the United States, we are requested to liberalize agricultural market these year. As a result, in 1988, beef, citrus, some processed foods' market were decided to open. Further, we are requested to liberalize rice market which is the most important and main crop for Japanese farmers.

In such a situation, Japanese agricultural cooperators are now cooperating widely with consumers including the members of consumers' cooperatives in a standpoint of securing perfect self-sufficiency of basic food-stuffs. Further, exchange of views with foreign countries is also promoted to establish a new rule for agricultural trade which emphasizes the importance of maintaining appropriate level of self-sufficiency of foodstuffs.

The third impact is the progress of liberalization of financial market. Nothing to say, the liberalization of financial market means the liberalization of interest rates. From this June, the interest rate above 3 million yen of deposit will be liberalized. This liberalization will be of serious effect for credit business of agricultural cooperatives which is one of the main business activities. In short, agricultural cooperatives can't survive unless their management are strengthened by the improvement of service manner to member farmers.

By understanding such a serious situation, the 18th National Congress of Agricultural Cooperatives was held and the Basic Strategy looking toward the 21st century was decided. This new Strategy includes some important points. The first is the reduction of production cost and at the same time strengthening competitiveness of farm products by raising up the quality by

expanding the farm scale. The second is rationalization and reform of management of agricultural cooperatives. To this end, we are now promoting the amalgamation of primary multi-purpose agricultural cooperatives from about 4,000 now to 1,000 until the end of this century.

Regarding the cooperation with another kind of cooperatives in Japan, JJC or the Japan Joint Committee of Cooperatives set up a working group on cooperative basic matters which are related with the "Cooperatives and its Basic Values" discussed in the Stockholm Congress in 1988. This group is composed of 8 members including cooperative leaders as well as professors on cooperative matters. The mid-term report will be presented in the Central Committee in New Delhi this year.

co-op

Consumer Co-op Movement in Japan



Approaching the 21st Century



The origin of the Japanese consumer co-op movement dates back to the 19th century, and at the early stage, the major role of the co-ops was to improve the living standards of the people. Dr. Toyohiko KAGAWA, Father of the Japanese movement and the first President of the Japanese Consumers' Co-operative Union (JCCU), a man who contributed greatly to the welfare of the poor, promoted the spread of co-operative ideas, advocating seven basic concepts; Mutual Sharing of Benefits, Humane Economy, Sharing of Capital, Elimination of Exploitation, Decentralisation of Power, Political Neutrality, and Emphasis on Education.

Faithfully following these co-operative ideas, the Japanese consumer co-ops have attracted the support of consumers and have grown to become one of the largest consumer organisations in Japan.

During the last few decades, Japan has made great strides in industrial development through the pursuit of economic efficiency based on the principle of free competition. In the course of this development, however, it has forgotten the value of fraternity, the most important links between people. With this as a background, the co-ops are expected to play the role of builders of new communities where everyone, including the aged, the handicapped and children, can live together in a co-operative way.

The co-op suggests a shift in the way of living and thinking, from a material-orientation to a human-orientation, and a spread of the spirit of sharing and caring by expanding the co-operative network. Living up to the slogan, "Creation of Life and Communities Full of Humanity", we are making efforts to develop a wider ranging movement as we approach the 21st century.

A handwritten signature in black ink, which appears to read "Isao Takamura". The signature is fluid and cursive.

Isao Takamura
President of the Japanese
Consumers' Co-operative Union



Variety of Consumer Co-ops

Some 12 million co-op members belong to more than 650 co-op societies formed throughout the country. These co-ops are divided by type of business into:

Retail Co-ops: Supplying members with a wide range of consumer products and services and embracing 80% of the total co-op membership. There are five types of retail co-ops, as follows:

- * Citizen Co-ops: Serving local residents, mostly member housewives, through stores, joint buying, catalogue sales, etc.
- * Institutional Co-ops: Serving workers in their work places through stores, canteens, etc.
- * Expanded Institutional Co-ops: Serving both workers and local residents. A kind of institutional co-op expanded to neighbouring residential areas.
- * University Co-ops: Serving students and faculty members in universities and colleges through book stores, daily commodity stores, canteens and other services.
- * School Teachers' Co-ops: Serving teachers at both public and private elementary, junior and senior high schools, mainly through catalogue sales and joint buying.

Medical Co-ops: Serving members through operating hospitals and clinics, emphasising preventive health care and friendly, convenient services.

Insurance Co-ops: Providing many kinds of life and non-life insurance for members, mostly trade union members. Operated in every prefecture and integrated by the National Federation of Workers and Consumers Insurance Co-operatives (ZENROSAL).

Housing Co-ops: Supplying houses and housing plots to workers in co-operation with trade unions and Labour Banks. Operated in every prefecture and coordinated by the National Federation of Housing Co-operative Societies (ZENJUREN).



CO-OP Brand - a Mark of Reliability



CO-OP brand products emphasise their image of "safe", "reliable", "healthy", and "reasonably priced" products. While the JCCU develops CO-OP brand products to supply its member co-ops, additionally many co-ops carry their own CO-OP brands of daily-delivered perishables requiring freshness.

In the 1960s, the Japanese rapid economic growth had brought floods of hazardous products to the marketplace and had deteriorated the environment. Under such a situation, the co-op started to develop its own products as a safer alternative.

Since then the CO-OP brand, with an increase of items, has gradually taken root among members and has grown to be one of the most prevalent and popular private brands in Japan, and will continue to be so thanks to the overwhelming support given by the 12 million co-op members. All CO-OP brand products are developed on the basis of member motivation and sincere desires to give their children safe, healthy food and favourable environment.

To realise their desires, members actively take part in the process of the development and improvement of the products. Most CO-OP brand products are produced by private manufacturers based on specifications of the co-ops, although some large-scale co-ops have their own factories for some of foods. Co-ops pay the closest attention to quality control, and a strict examination is made of all CO-OP brand products in factories or laboratories.





Close Co-operation with Producers

In the Japanese distributive trade, co-ops are the pioneers of direct transactions with farmers and fishermen. Today, 30% of the food products supplied by co-ops are shipped directly from the producers, bypassing the wholesalers. When engaged in direct transactions, co-ops ensure that the following requirements are met:

- * The producer and the production place are shown to member consumers.
- * The method of production is clearly understood by member consumers.
- * Close communication between the producer and member consumers is established and maintained.

These principles generate a mutual confidence between co-op members and producers and help to ensure the safety and reliability of products. Direct transactions have an aspect of co-operation between co-ops of different kinds. About 50% of the produce and 70% of the marine products supplied by this method are from agricultural and fishery co-ops and their federations.

Co-ops are trying to restore the close relationship the consumer used to have with the producer, before such ties weakened in the course of rapid industrialisation. The co-ops' efforts to establish a new link is a truly creative endeavour, which has changed and will continue to change the status of the existing distribution system.





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Co-op Stores in the Community



While half of the products supplied by co-ops are delivered to the members' doorsteps, the other half are sold through over 2,000 co-op stores, nearly half of which are operated by citizen co-ops in residential areas.

The co-op stores are divided into three categories, Mini-store (sales area less than 500m²), Supermarket (500-1,500m²), and Super-supermarket (over 1,500m²). The majority of stores are mini-stores which handle almost exclusively CO-OP brand food items. Supermarkets deal with food and household articles as the main lines of merchandise, some 60-70% of which are CO-OP brand. Super-supermarkets are also called "Combination stores", where the merchandise assortment of food and non-food is fifty-fifty.

One of the characteristics of the Japanese legal provision for the consumer co-ops is a prohibition of non-member purchases, and therefore, measures are taken at stores in each co-op to identify the customer as a member.

In Japan, where one and a half million retailers exist, opening a new store is not easy, and this is especially so for the co-op. There are two major tasks the co-op and its members must tackle before store construction.

The first is to organise neighbouring consumers into a co-op to ensure active support of the store. The success of the store depends on how many members it has and how much patronage it is given by them. The second is to obtain the agreement of retailers in the community on the store's opening. This is indispensable for a future smooth operation based on harmonisation with and co-prosperity of the local community.

Joint Buying in the Spirit of Sharing

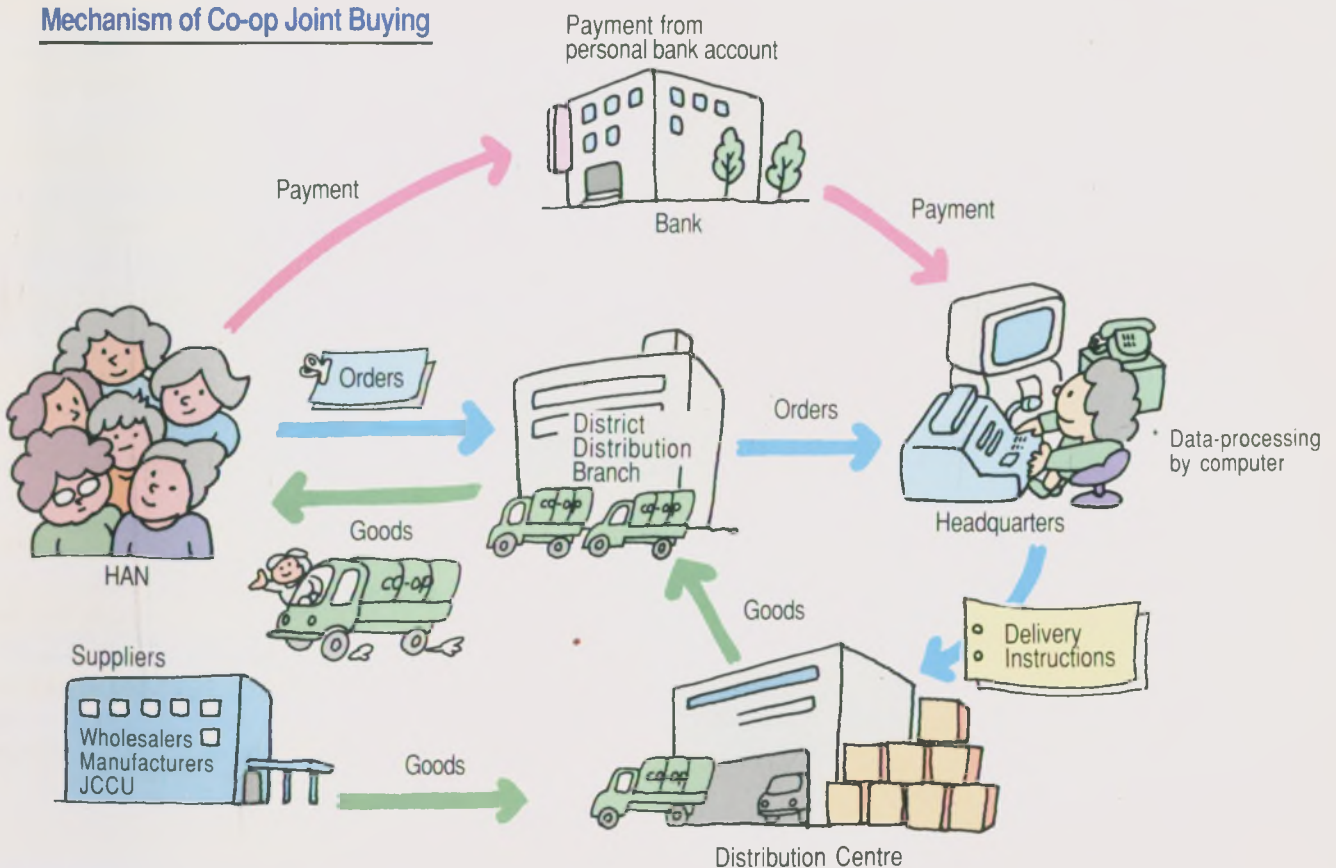
Half of the co-op products are supplied to members by the joint buying system in which a group of co-op members living in the same neighbourhood (HAN) places orders jointly, and the ordered products are delivered to the group one week later.

Joint buying is very prevalent in the co-op's supply system in Japan, as it does not require a large investment and is convenient for the members. The members can purchase safe and reliable products even without nearby co-op stores, and also reduce shopping time thanks to the delivery service. Moreover, they become practiced in planned purchases, which contributes to a better household economy.

The most important aspect of joint buying is that it provides members with a place to meet and talk every week, and it prompts members to help each other not only in shopping but also in everyday life. As the percentage of nuclear families grows and neighbourhood ties weaken, the housewives increasingly hope to build new human relationships. The joint buying fosters and strengthens the spirit of mutual sharing and caring among members.



Mechanism of Co-op Joint Buying



HAN - a Place for Co-operation



To become a co-op member, the consumer must pay a share capital of ¥3,000-5,000, whereupon she/he will be invited to join a "HAN". The Japanese term "HAN" means a small organisation group.

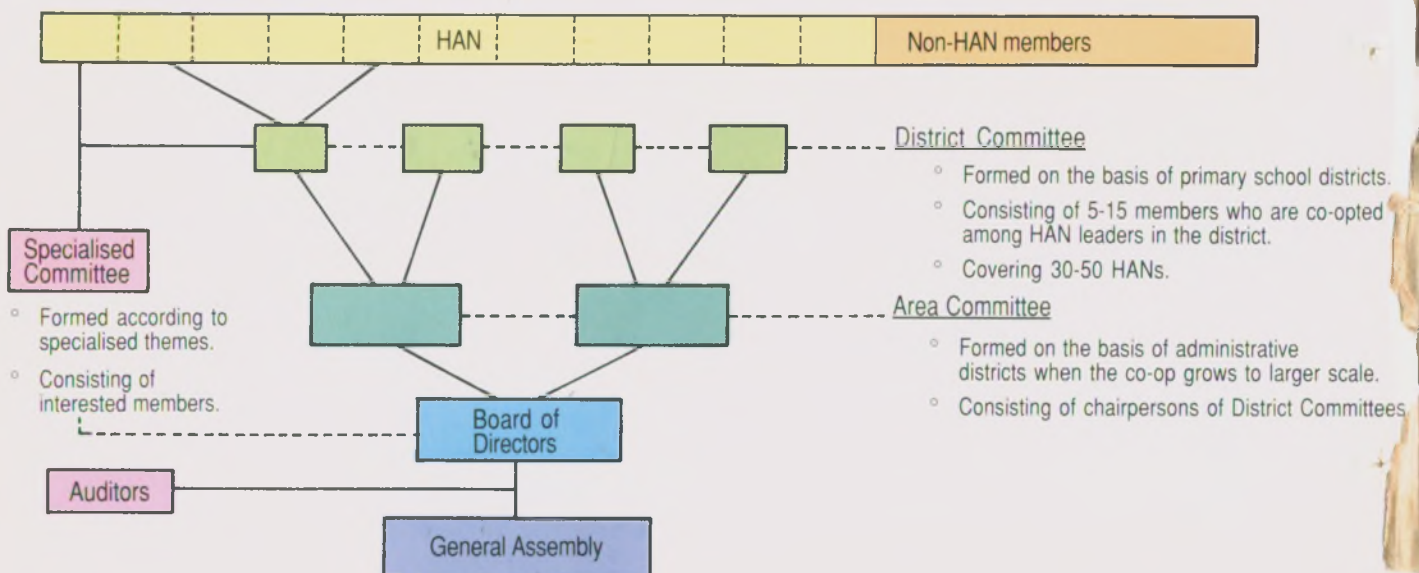
A unique feature of Japanese co-ops is the formation of "HAN" groups as the basic organisational unit, each being made up of 5-10 individual members living in the same neighbourhood. The HAN is formed both in retail and medical co-ops. Here an example from a citizen co-op is shown.

Basically there are 2 types of HAN: one based on joint buying and the other centred around a co-op store. To participate in a joint buying activity, the member must be a HAN member, but all co-op members can utilise the co-op stores. Some members living close to a co-op store, therefore, are less motivated to join a HAN. Nevertheless, the co-op encourages as many members as possible to join a HAN in the hopes of stimulating more members to take part in the co-op administration.

The HAN helps to assure the democratic administration of co-op societies no matter how huge they become, since the HAN is where members voice their opinions, complaints and requests on the co-op, as well as where information on co-op's policy, activity and other matters is available.

The HAN also functions as a centre of member activities such as recruiting membership, increasing share capital, holding study meetings and recreational events, etc. The members in the HAN discuss various topics, learn from and help each other in daily life. In other words, the HAN is a place for co-operation among members.

Administrative Structure of Co-op Society



Member Activities Expanding the Sphere of Life

While the most frequent activity for many members is the joint buying or shopping at a co-op store, there are diverse types of co-op activities in which members participate voluntarily, based on their respective interests.

Although member housewives are most closely involved with the daily life of households, naturally their interest and demands are not limited only to things related to consumer life but extend to various social and economic problems.

In this regard, they are actively involved in various themes, such as peace, household economy, food safety, dietary habits, environment, culture, education, welfare, mutual aid, UNICEF fund-raising, and consumer rights. Especially, the peace campaign is one of the most active fields in every co-op.

The basic unit for member activities is also the HAN, and a District Committee coordinates and promotes these activities. A Specialised Committee is set up, if the theme requires deeper study. Through such activities, an increasing number of member housewives have expanded their sphere of life from the home to the outside world. The energy shown in those activities is the power able to ensure a bright future of "Peace and a Better Life Full of Humanity".



Co-op International Activities

The JCCU is a member of the ICA (International Co-operative Alliance: 72 countries, 183 organisations, 590 million individual members) and has been active in promoting ICA's objectives since its affiliation in 1952.

The JCCU works closely with overseas movements for common purposes, such as spreading the co-operative ideas, promoting the co-operatives, and realising world peace. Through these joint efforts, friendly relations have been expanded and strengthened.

The ICA Consumer Committee for Asia has played a leading role in consumer co-op development in Asia. The JCCU is positive, as a member of the committee, in providing technical and financial assistance in response to increasing expectations from Asian movements, and fund-raising campaigns for this purpose have been started throughout the country.

UNICEF fund-raising campaign is another international mutual aid activity. The Japanese co-ops, with an almost 10-year history of participation in this campaign, are now one of its major promoters in Japan. The campaign is widely and strongly supported not only by member mothers but also by their children.

Interco-operative trade has expanded recent years. Co-optrade Japan Ltd., a JCCU subsidiary, is engaged in import and export business with overseas co-ops and other trading firms around the world.

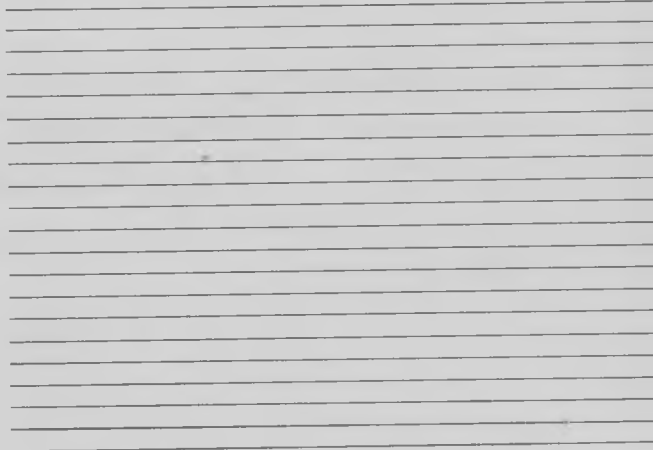


ESTIMATED FIGURES FOR FISCAL 1988 (April '88 - March '89)

	(1987)	(1988)	(88/87)
Co-op societies (No.)	658	654	99.4
Members (No.)	11,801,752	12,648,000	107.2
Total turnover (¥mil.)	2,209,894	2,375,640	107.5
Retail sales (¥mil.)	1,959,206	2,100,000	107.2
Service sales (¥mil.)	250,581	275,640	110.0
Share capital (¥mil.)	162,149	190,176	117.3
Share capital per member (¥)	13,739	15,036	109.4
Co-op bonds (¥mil.)	77,728	76,173	98.0
Retail outlets (No.)	2,190	2,260	103.2
Sales area (m)	984,319	1,029,000	104.5
Full-time employees (No.)	47,890	48,850	102.0
JCCU wholesale (¥mil.)	339,147	365,437	107.8
JCCU CO-OP brands wholesale (¥mil.)	228,869	237,000	103.6

CO·OP

INFORMATION

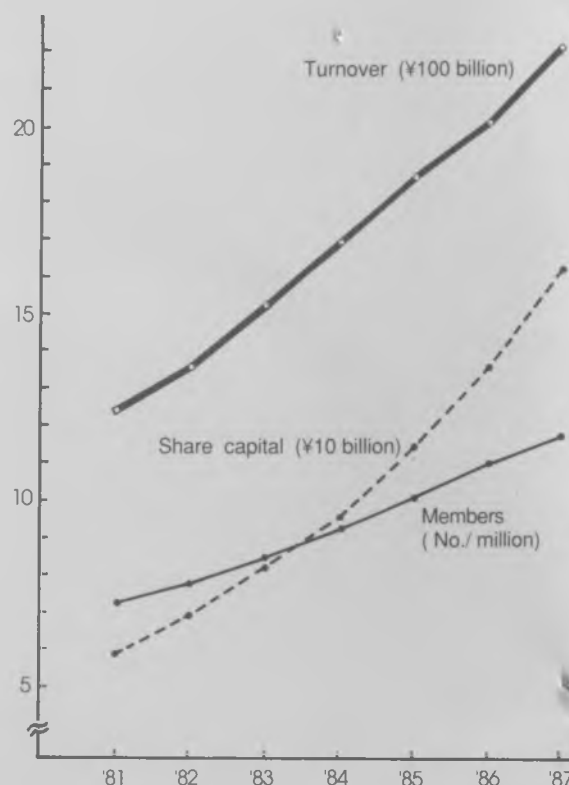


1988 Edition
for Fiscal Year 1987
(from April 1987 to March 1988)

Sum-up of Japanese Co-ops

	1987	1986	'87/'86(%)
Co-op societies (No.)	658	663	-0.8
Members (No.)	11,801,752	11,070,985	+6.6
Han groups (No.)	746,474	659,592	+13.2
Han members (No.)	4,685,397	4,280,409	+9.5
Han members ratio (%)	39.7	38.7	-
Total turnover (¥ Mil.)	2,209,894	2,016,478	+9.6
Retail sales (¥ Mil.)	1,959,206	1,823,751	+7.4
Services sales (¥ Mil.)	250,581	192,727	+30.0
Others (¥ Mil.)	107	-	-
Share capital (¥ Mil.)	162,149	137,744	+17.7
Share capital per member (¥)	13,739	12,442	+10.4
Co-op bonds (¥ Mil.)	77,728	80,008	-2.8
Retail outlets (No.)	2,190	2,143	+2.2
Sales area (m ²)	984,319	942,840	+4.4
Full-time employees (No.)	47,890	46,702	+2.5
JCCU wholesale (¥ Mil.)	339,147	304,090	+11.5
JCCU CO-OP brands wholesale (¥ Mil.)	228,869	216,256	+5.8
Co-op retail share in Japan (%)	2.58	2.41	-

Evolution of Japanese Co-ops



Japanese Top 10 Co-ops

	Turnover (¥ Mil.)	'87/'86 (%)	Members (No.)	'87/'86 (%)
1. Nadakobe	266,559	+4.0	896,150	+6.7
2. Kanagawa	128,105	+4.5	692,776	+8.9
3. Sapporo Citizen	120,881	+2.0	561,144	+5.8
4. Tokyo Citizen	67,876	+9.7	314,232	+14.8
5. Toyota	56,921	+2.1	152,275	+9.3
6. Saitama	55,111	+9.6	221,670	+16.3
7. Miyagi	51,641	+5.6	258,483	+8.6
8. F	49,022	+6.3	210,565	+8.8
9. Kyoto	46,220	+5.3	247,619	+9.3
10. Osaka Izumi Citizen	38,846	+12.5	155,032	+9.1

World Top 10 Co-ops

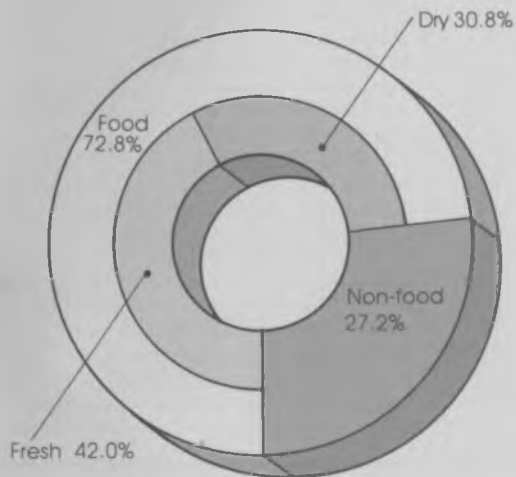
	Turnover (US\$ Mil.)	'87/'86 (%)	Members (No.)
1. Coop AG, W. Germany	4,482	-1.4	200,000
2. EKA-Coop, Finland	2,300	+4.0	499,000
3. Konsum Österreich, Austria	2,298	+1.0	823,000
4. Nadakobe Co-op, Japan	2,276	+4.4	896,000
5. CRS, Great Britain	2,014	+4.1	1,480,000
6. FDB Retail, Denmark	1,938	+6.0	603,000
7. Konsum Stockholm, Sweden	1,439	+9.5	317,000
8. Coop Dortmund-Kassel, W. Germany	1,392	—	440,000
9. CWS Retail, Great Britain	1,145	+8.8	1,038,000
10. Co-op Kanagawa, Japan	1,055	+4.5	693,000

* Inter-Coop Statistics 1987

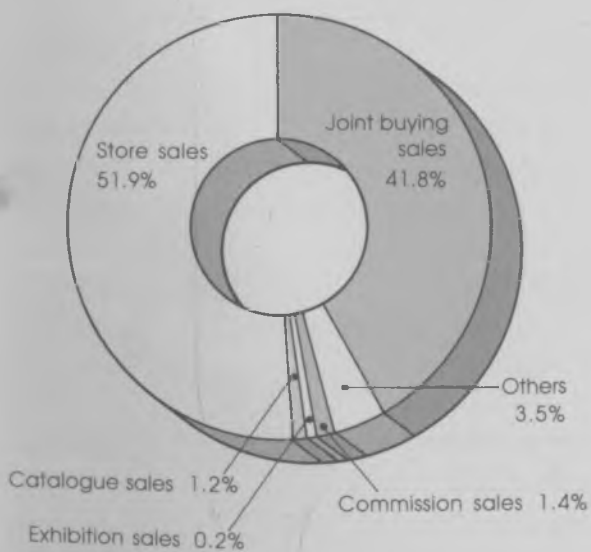
Composition of Co-op Stores

	Number (%)	Sales area (%)	Turnover (%)
-199m ²	46.5	9.8	14.6
200m ² -	27.4	20.0	21.7
500m ² -	20.7	38.8	38.1
1,500m ² -	3.9	16.9	14.1
3,000m ² -	1.5	14.5	11.5

Retail Sales According to Products



Retail Sales According to Operation Types



Basic Figures of Non-retail Co-ops

(Medical Co-op)

Co-op societies (No.)	117
Members (No.)	1,088,968
HAN groups (No.)	17,628
HAN members (No.)	282,717
Hospitals (20 and more beds) (No.)	80
Clinics (less than 20 beds) (No.)	187
Beds (No.)	12,336
Doctors (No.)	1,546
Nurses (No.)	7,764
Other staff (No.)	6,915
Turnover (¥ Mil.)	143,322

(Insurance Co-op)

Co-op societies (No.)	47
Policies (No.)	25,800,000
Premium income (¥ Mil.)	162,700
Claims paid (¥ Mil.)	77,600
Full-time employees	2,278

(Housing Co-op)

Co-op societies (No.)	49
Members (No.)	866,000
Housing units constructed (No.)	2,769
Full-time employees (No.)	460

Basic Figures of University Co-op

Co-op societies (No.)	163
Members (No.)	925,923
Turnover (¥ Mil.)	143,151
Full-time employees (No.)	2,500

Profile of Japanese Consumers' Co-operative Union (JCCU)

Head office:	4-1-13, Sendagaya, Shibuya-ku, Tokyo 151, Japan Phone: (03) 497-9103	<ul style="list-style-type: none"> * Representation of co-ops' voice at national and international level * Planning, development and supply of CO-OP brand products * Other business operations including mutual insurance, travel agency, and publishing * Guidance on member co-op management and staff education through correspondence courses and seminars
Established:	March, 1951	
President:	Isao Takamura	
No. of member Co-ops:	658	
No. of member prefectural unions:	43	
Total co-op members:	12 million	
Total co-op turnover:	2,209,894 million yen	
JCCU turnover:	339,147 million yen	
Of which, wholesale of CO-OP brand products:	228,869 million yen	
No. of JCCU CO-OP brand items:	7,645 (as of March, 1987)	
Share capital:	5,221 million yen (as of March, 1988)	Subsidiaries: <ul style="list-style-type: none"> * Co-optrade Japan Ltd. Set up in 1956 as an international trading organ owned wholly by JCCU. Has trading relationship with co-operative organisations and other trading concerns of 25 countries throughout the world. Main trading items are marine products, food, clothing, logs for Import and machines, electric appliances for export. * Co-op Clean Co., Ltd. Set up in 1978 as a joint venture with detergent company. Develops and controls production of a large variety of CO-OP brand detergents free from allergic reactions and causing less pollution to the natural environment. * National School Supplies Co., Ltd. Set up in 1967. Supplies both schools and students with economical but quality education materials developed through practical teaching experience.
No. of full-time employees:	672	
Functions:	As a sole national consumer co-op organisation, it fulfills the following functions. <ul style="list-style-type: none"> * Formulation of co-op national policies * Coordination of member activities at national level 	

JCCU Balance Sheet (as of March 20, 1988)

ASSETS

Current Assets	¥ 83,807,035,753	
Fixed Assets		
Tangible Fixed Assets	8,378,973,866	
Intangible Fixed Assets	98,632,572	
Other Fixed Assets	<u>2,521,806,599</u>	10,999,413,037
Total Assets	¥ 94,806,448,790	

LIABILITIES AND CAPITAL

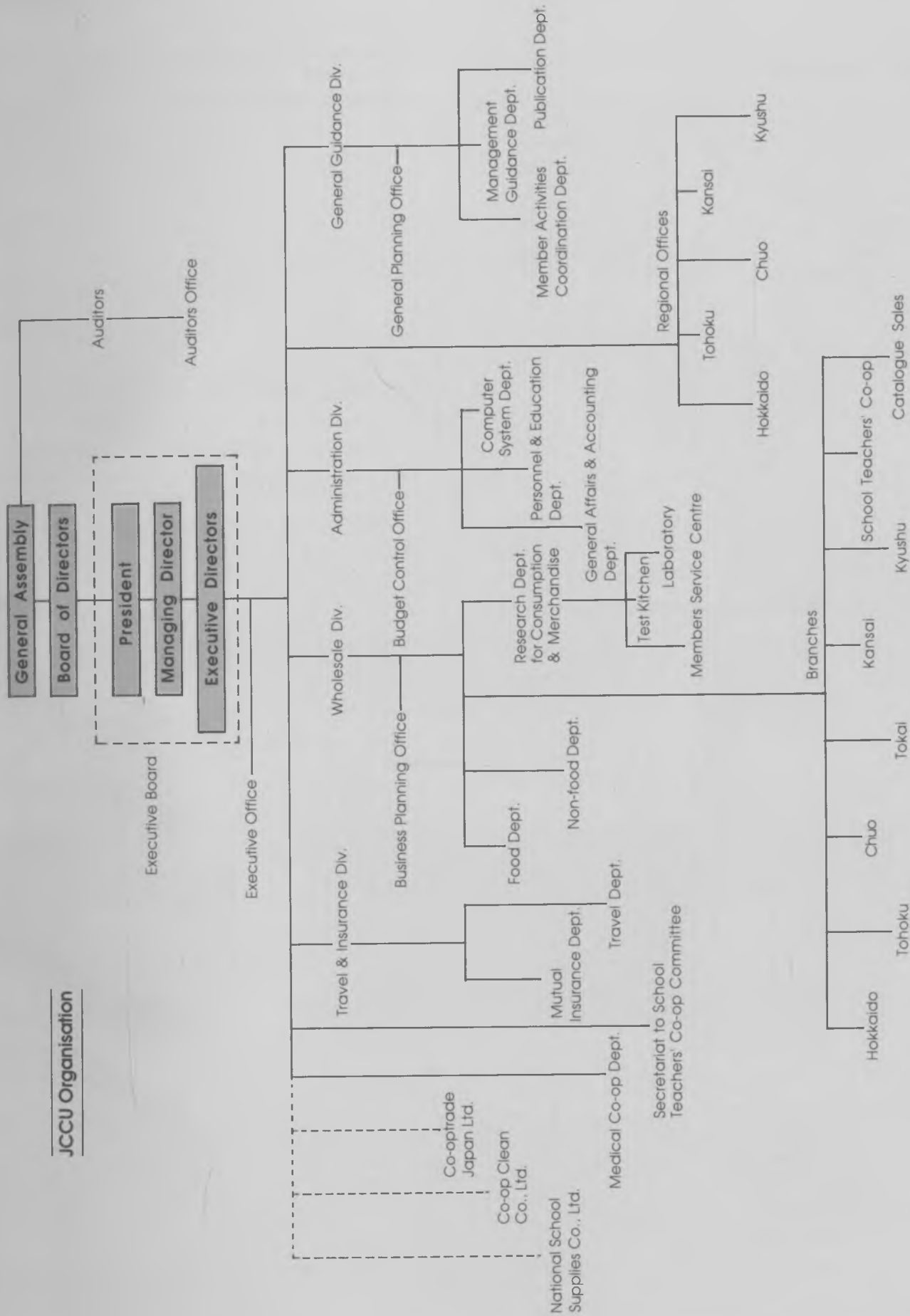
Current Liabilities	¥ 81,126,380,039	
Fixed Liabilities	3,603,184,700	
Share Capital	5,221,020,000	
Retained Surplus		
Legal Reserves	2,011,000,000	
Voluntary Reserves	930,000,000	
Unappropriated Surplus	<u>1,914,864,051</u>	4,855,864,051
Total Liabilities and Capital	¥ 94,806,448,790	

JCCU Profit and Loss Statement

(from March 21, 1987 to March 20, 1988)

Sales	¥ 339,146,709,501
Cost of Sales	<u>324,308,215,071</u>
Gross Profit	14,838,494,430
Subscriptions Revenue	581,865,400
Management Guidance Surplus	<u>222,548,129</u>
Mutual Insurance Surplus	55,083,275
Other Revenues	<u>828,970,840</u>
Total Revenues and Surplus Funds	16,526,962,074
Trading Expenses	<u>14,754,609,541</u>
Trading Surplus	1,772,352,533
Non-trading Net Revenues	<u>1,180,829,371</u>
Current Surplus	2,953,181,904
Extraordinary Profits	152,673,474
Extraordinary Losses	<u>(174,817,074)</u>
Surplus for Year before Taxation	2,931,038,304
Taxation	<u>1,020,000,000</u>
NET SURPLUS FOR YEAR	¥ 1,911,038,304

JCCU Organisation



Major Japan Data

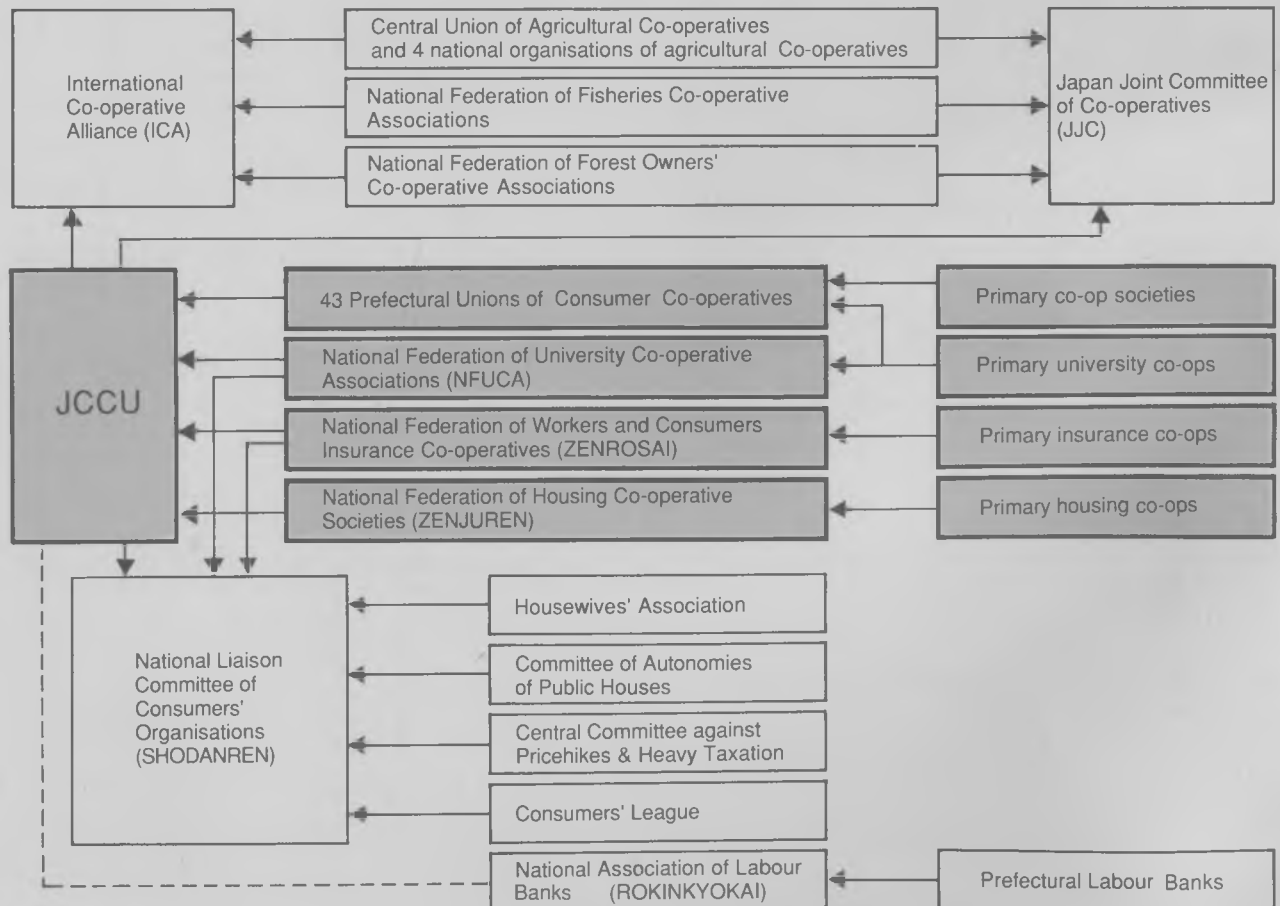
Population	121,049,000 (1985)
Households	38,133,000 (1985)
Gross national product	344,880 billion yen (1987)
Private consumption	198,784 billion yen (1987)
Retail sales	101,719 billion yen (1985)
Consumer Price Index	
Food	98.2 (fiscal year 1985 as " 100")
Total	100.4 (1985 as " 100")

Composition of Japanese Workers' Household Consumption Expenditures (Monthly average in yen for 1987)

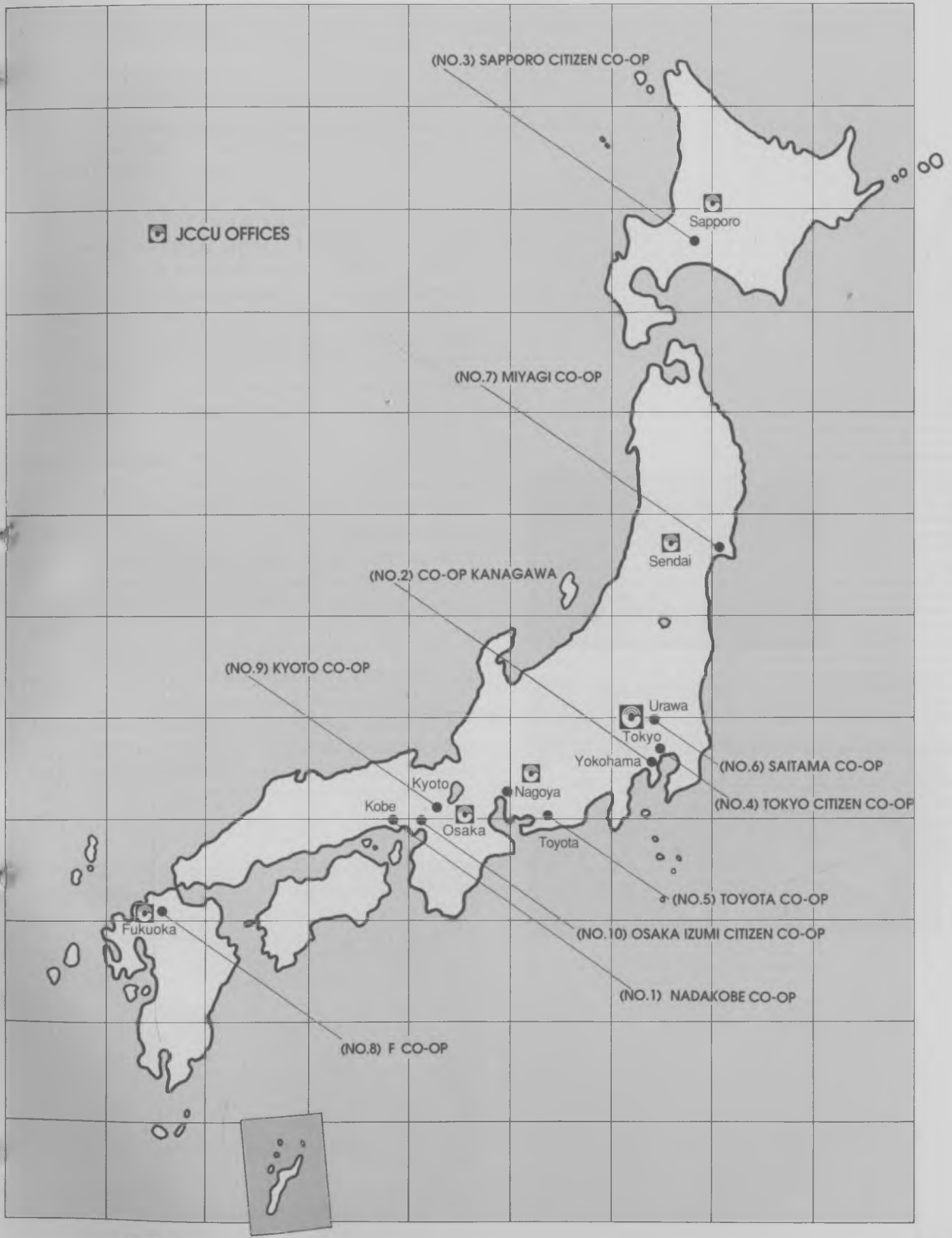
	Yen	Composition
Total income	460,613	
Total expenditures	295,915	100.0%
Food	73,431	24.8
Housing	15,170	5.1
Utilities	15,655	5.3
Furniture & household goods	12,632	4.3
Clothing	20,834	7.0
Medical & health care	7,255	2.5
Transport & communications	30,069	10.2
Education	13,570	4.6
Recreation & entertainment	26,072	8.8
Others	81,227	27.4

Source: Management and Coordination Agency of Japanese government

JCCU Members and Related Organisations



LOCATIONS OF TOP 10 CO-OPS AND JCCU OFFICES



Unique Japanese Co-ops

Medical Co-ops:

Medical co-ops are formed by people who wish to keep in good health. The co-ops operate hospitals and clinics, in response to members' wish to have their own medical facilities that they can utilise free from care.

Today, over one million households belong to more than 100 medical co-ops in Japan. Here also, members organise HAN groups as basic units, where they study about health checks and healthy living practices, as the emphasis of the activities in medical co-ops is placed on preventive medicine. Another feature of medical co-ops is an equal relationship between patients, doctors and other medical staff. Constant efforts are made to maintain personal communication among them, and patient-oriented services.

University Co-ops:

University Co-ops are operated in universities and colleges to serve students and faculty members, and run a wide range of business such as book stores, daily commodity stores, canteens, travel, insurance, ticket agencies and other services. While these business operations are conducted by employees, member-relation activities are promoted by the co-op student committees.

University co-ops have contributed to the development of citizen co-ops since the 1960's, when some of today's leading co-ops were founded thanks to their financial and manpower assistance. University co-ops educate students to understand co-operative ideas through daily contact with them, hoping they will still support the co-op movement after graduation.



 **Japanese Consumers' Co-operative Union**

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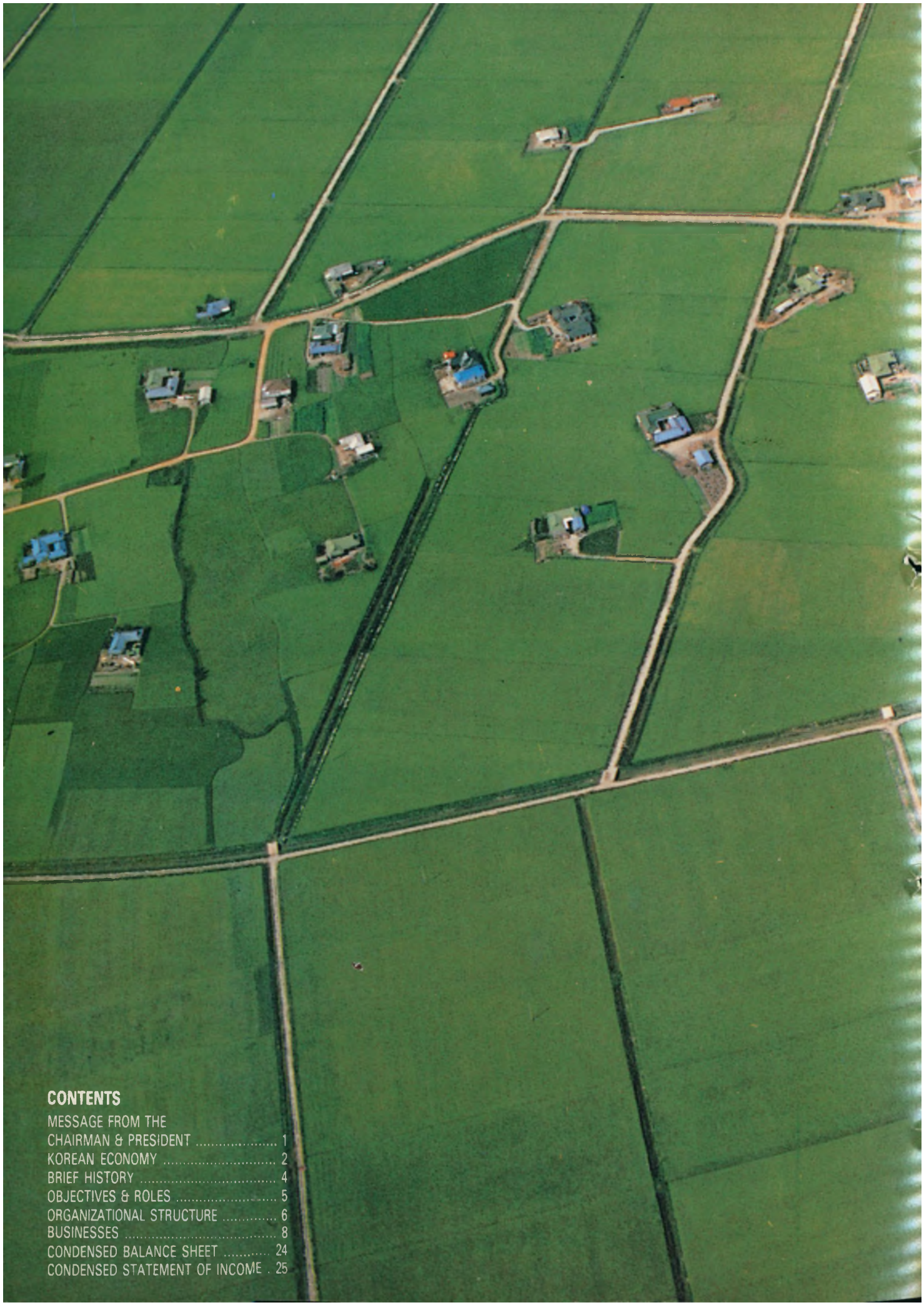
Telegram: Consumunion Tokyo

NACF

ANNUAL REPORT 1988



NATIONAL AGRICULTURAL
COOPERATIVE FEDERATION



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MESSAGE FROM THE CHAIRMAN & PRESIDENT

It is my great pleasure to present the Annual Report 1988 describing the various businesses and activities performed by the National Agricultural Cooperative Federation (NACF) and its member cooperatives. I hope this report will be a good reference for our friends who have taken interest in our Federation.

During 1988, despite difficult economic conditions such as hot disputes between labor and management, rapid appreciation of the Korean won, and the mounting trade pressure from the U.S.A., the Korean economy grew by 12.2% and recorded US\$14.3 billion surplus in the balance account. The foodgrain production stood at 7.3 million M/T, 7.5% up from the previous year's 6.8 million M/T. This growth mainly resulted from the rich harvest of rice amounting to 6.1 million M/T, 8.0% up from the figure of 1987. The agriculture, forestry and fisheries sector grew by 9.0%, overcoming a minus 6.8% growth in 1987 due to the severe floods in the summer of that year.

The NACF which was established in 1961 as the apex organization charged with enhancing the economic and social status of member farmers as well as developing agriculture and the welfare of rural communities, has performed diversified business activities related to rural life, including banking, supply, marketing, cooperative insurance, warehousing, transportation, processing, farm guidance, and related support activities such as publications and education. In 1988, the NACF concentrated its activities on improving the management of member cooperatives. Thus the business volume per cooperative amounted to an average of ₩14.6 billion, 33% up from the previous year's volume of ₩11 billion. In addition, the NACF continued its active marketing business including the standardization and grading of farm products for better marketability. Owing to these activities, in 1988 the joint shipment of farm products through cooperative channels amounted to ₩1,838 billion, up 25% over 1987.

In 1988 the NACF proposed further amendment of the Agricultural Cooperative Law which has been amended seven times since its enactment in 1961, with the last amendment made in 1980. The purpose of the amendment was to reflect the changing circumstances surrounding agriculture, as well as to allow more autonomous operation with active participation of member



farmers. The revised Law was passed by the National Assembly in the autumn session of 1988 and will take effect from April 1, 1989. In the revised Law, the Chairman & President of the NACF who was formerly appointed by the President of Korea on the recommendation of the Minister of Agriculture, Forestry and Fisheries, will be elected directly by the presidents of member cooperatives. Also the presidents of member cooperatives who had formerly been elected by representative member farmers, will be directly elected by the member farmers. And the new Law repealed Article 160 stating that the NACF business plan and budget has to be approved in advance by the Minister of Agriculture, Forestry and Fisheries. It was replaced by an ex post facto reporting system.

The NACF has recently launched the "New Agricultural Cooperative Movement" to refresh the agricultural cooperatives and thus improve the quality of services to member farmers. The Movement aims to realize the democratization of agricultural cooperative operation to enhance benefits to member farmers, and to solidify the cooperative management. To attain these objectives, the NACF intends to modify relevant laws, ordinances and regulations to develop new areas of cooperative businesses, and to promote rural welfare.

We will continue to exert all our efforts to enhance the social and economic status of member farmers and to establish welfare rural communities. To this end, I would like to ask for your continuous cooperation and friendship.

March 1989

Ho-Sun Han
Chairman & President
National Agricultural Cooperative Federation



KOREAN ECONOMY

In 1988 Korea saw brisk economic growth promising a bright future. Despite difficult economic conditions, including disputes between labor and management, rapid appreciation of the Korean won, and rising trade frictions with its trading partners, powered by the continuous export growth and expansion of plant and equipment investments, the economic growth rate of Korea recorded 12.2%, one of the highest in the world. This 12.2% rate is a phenomenal figure compared with other industrialized countries, namely U.S.A., Japan, and West Germany, 4%, 5%, and 3% respectively. Moreover, Korea has maintained double-digit growth rate for three consecutive years since 1986. Korea's GNP in 1988 increased from US\$128 billion in 1987 to US\$169 billion and per capita income jumped to US\$4,040 from US\$3,098 of the previous year.

Looking at the performance by sector, the mining and manufacturing sector registering a growth rate of 12.7% showed a higher growth rate than any other sectors did. The services sector registered 12.6%, the agriculture, forestry and fisheries sector 9.0%, and the construction, electricity, gas and water sector 8.4% respectively. Particularly,

outstanding was the agriculture, forestry and fisheries sector which grew up to 9.0%, overcoming the minus 6.8% of 1987. Due to the brisk economic growth, about 500 thousand new jobs were created so that the unemployment rate fell to 2.6% from 3.1% of the year before. The economic upsurge and growing inflationary pressure from the expanding balance of payments brought 2.7% increase of wholesale prices and 7.1% of consumer prices.

On the other hand, the commodity exports soared from US\$46.2 billion of the preceding year to US\$59.7 billion. This means that Korea ranked twelfth in world trade. What deserves note is the fact that electronic products overtook clothing and textiles as Korea's leading export items. Due to the expanding exports, the overall trade surplus amounted to US\$11.5 billion, keeping an average annual growth of US\$3.8 billion for the last three years since 1986.

In addition, the current account surplus increased to US\$14.3 billion thanks to the increased tourist receipts from the holding of the Seoul Olympic Games and a decline in the foreign debt interest payment. A remarkable boom in exports and an unprecedented surplus in the international balance of payments



brought about a gradual reduction in the outstanding foreign debt to US\$28.5 billion from US\$32.0 billion in 1987. If this trend continues further, Korea will shift from a net debtor to a net lender in 1989.

As for the agriculture, the prices of farm products received by farmers sharply rose 12.6%, led by the price increase of beef cattle and government-purchased rice. Meanwhile, the prices paid by farmers rose 7.8%. Total grains production in 1988 stood at 7.3 million M/T, 7.5% up from the 6.8 million M/T of the previous year. This growth was chiefly invigorated by a rich harvest of rice which came to 6.1 million M/T, 8.1% up from the figure of 1987.

In 1988 Korean farmers tried to overcome difficulties caused by free import of tobacco, and increased import quota for beef due to the increasing trade frictions with major trading partners showing imbalance in trade with Korea.

Korean economy now enjoys a good reputation with regards to the overall macro-economy. However, Korea has to realize price stabilization, balanced development among industrial sectors and regions, and well-balanced income distribution.

MAJOR ECONOMIC INDICATORS

	1986	1987	1988*
GNP (US\$ billion)	103	128	169
Per Capita GNP (US\$)	2,503	3,098	4,040
Economic Growth Rate (%)			
GNP	12.9	12.8	12.2
Agriculture, Forestry & Fisheries	4.6	△6.8	9.0
Mining & Manufacturing	18.1	17.7	12.7
Construction, Electricity, Gas & Water	10.4	12.6	8.4
Services	12.9	14.3	12.6
Unemployment Rate (%)	3.8	3.1	2.6
Inflation (% annual average)			
Wholesale Prices	△1.5	0.5	2.7
Consumer Prices	2.8	3.0	7.1
Prices Received by Farmers	△2.2	4.9	12.6
Prices Paid by Farmers	△0.6	1.7	7.8
Balance of Payments (US\$ million)			
Current Balance	4,612	9,854	14,266
Exports	33,913	46,244	59,666
Imports	29,707	38,585	48,105
Agricultural Production (1,000 M/T)			
Total Grains	6,866	6,813	7,322
Rice	5,626	5,607	6,053
Farm Population (1,000 persons)	8,180	7,771	7,272
Farm Household (1,000 each)	1,906	1,871	1,826

*Estimated

BRIEF HISTORY

In Korea, there have been various cooperative movements brought about by the voluntary participation of farmers aiming at enhancing their economic conditions as well as strengthening collaboration among themselves.

Korea was forcibly deprived of its sovereign right and its people were subjugated to Japanese colonialism from August 22, 1910 to August 15, 1945. The Government-General of Korea established the Financial Associations, the Industrial Associations and the Farmers Associations under the pretext of founding cooperatives to recover the impoverished rural economy. Apart from their merits or demerits, these Associations were essentially organizations for the imperialistic exploitation of its colony. The agricultural cooperative movement in a modern sense was initiated as a part of the national independence movement from Japanese colonial domination. This movement was led by the patriotic students, Chendoists (the believers of a Korean national religion), and Christians.

After the liberation from Japan, in 1956 the new government of the Republic of Korea organized the Korea Agriculture Bank and its branches through reformation of the existing Financial Associations because it felt an urgent need to expedite agricultural development. This Bank was exclusively for agricultural banking and credit services. On the other hand, agricultural cooperatives were organized in 1957 based on the facilities and property of the Farmers Associations. The agricultural cooperatives carried out such economic businesses as agricultural marketing and supply of farm inputs other than credit service.

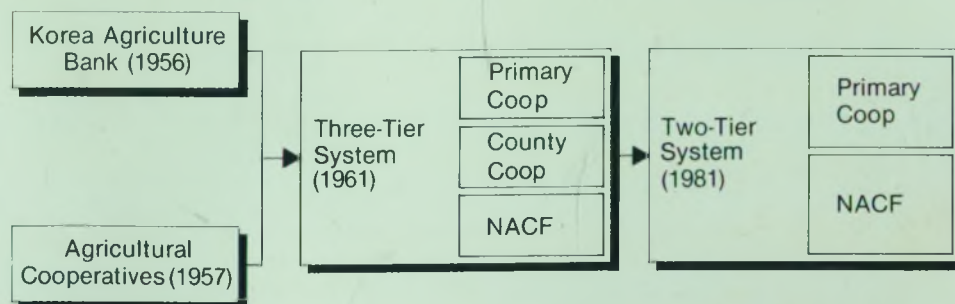
The Korea Agriculture Bank was relatively successful, while the agricultural cooperatives suffered from financial difficulties resulting from the poor return of

its businesses and insufficient funds, for which it was dependent on the Korea Agriculture Bank. Such a situation accelerated the establishment of a new type of agricultural cooperative with emphasis on successful management, especially in terms of efficient linkage between business operations and financial support. The Korea Agriculture Bank and the former agricultural cooperatives were merged into the present multipurpose agricultural cooperatives in 1961, in accordance with the Agricultural Cooperative Law based on modern cooperative principles.

Consequently, on August 15, 1961, the National Agricultural Cooperative Federation (NACF) was inaugurated as the apex organization along with its member agricultural cooperatives. Since its inauguration, the NACF and its member primary agricultural cooperatives have greatly contributed to enhancing the economic and social status of affiliated farmers and to developing agriculture as well as enhancing welfare of rural communities.

In 1981, the agricultural cooperatives restructured their organization in order to strengthen the managerial ability of primary cooperatives and to develop them as a strategic organizations for rural development. The former three-tier organization of the primary agricultural cooperatives, county agricultural cooperatives and the National Agricultural Cooperative Federation was streamlined into a two-tier organization linking the primary cooperatives directly with the Federation by reorganizing the county cooperatives into branch offices of the Federation. In the process of the restructuring, the livestock cooperatives, previously members of the NACF joined the newly established National Livestock Cooperatives Federation.

CHRONOLOGICAL CHART OF AGRICULTURAL COOPERATIVES



OBJECTIVES & ROLES

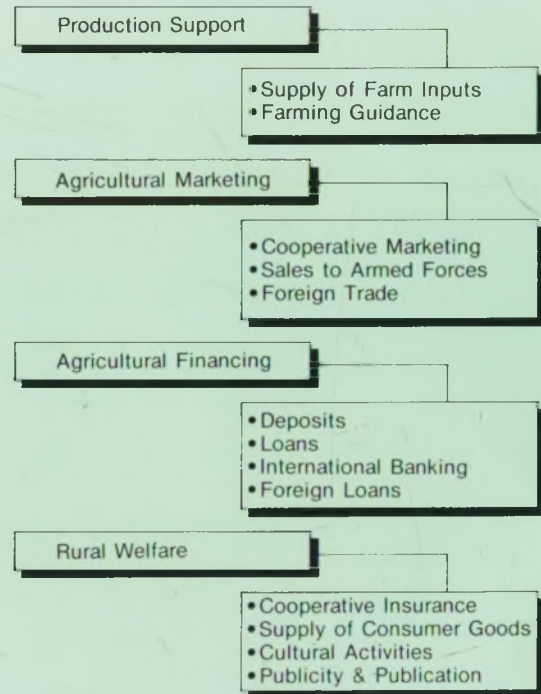
As voluntary organizations of farmers, the agricultural cooperatives were established with the spirit of mutual help. The agricultural cooperatives aim to increase agricultural productivity, to enhance the social and economic status of member farmers, and to contribute to the balanced development of the national economy.

In an effort to attain these objectives, the NACF and its member cooperatives have performed diversified business activities related to all aspects of rural life including agricultural production. The business activities of the agricultural cooperatives are banking, supply, marketing, cooperative insurance, warehousing, transportation, processing, farm guidance, and related supporting activities such as public relations and research. The NACF and its member primary cooperatives, as the exclusive agricultural

banking institution, exercise the important function of credit supply in order to meet the financial needs of the agricultural sector. The efficient distribution of farm inputs such as chemical fertilizer, pesticides, farm machinery and the other farm materials through the agricultural cooperative channels, plays an important role in making farming more convenient as well as in minimizing farming costs. Agricultural cooperatives also provide farmers with consumer goods through chainstores, which has resulted in the reduction of consumer goods prices in rural areas.

On the other hand, marketing activities of the agricultural cooperative system contribute to keeping higher prices for farm products by reducing marketing costs. The warehousing and transportation services provided by the agricultural cooperatives have been playing a significant role in stabilizing the prices of farm products and agricultural inputs through the efficient storage and timely shipment of farm products. With the handling of cooperative insurance, as a part of the social welfare service, agricultural cooperatives provide member farmers with provisions against unexpected accidents such as sickness, death and any loss and damage from un-

MAJOR FUNCTIONS OF THE NACF AND ITS MEMBER COOPERATIVES



foreseen disasters.

Agricultural cooperatives conduct guidance activities to improve farming and living standards of farmers. Education and training of farmers is also carried out by the agricultural cooperatives not only for the dissemination of new farming technology but also for spiritual enlightenment. Publication, public relations and research activities are performed to support various business activities of the agricultural cooperative system and to accelerate the establishment of prosperous rural communities.

Recently, agricultural cooperatives have played an important role as an interest group speaking for and protecting the interests and rights of farmers in the face of import liberalization of farm products. And they have also been called upon to meet the diversified demands of member farmers through the expansion of service functions and to guarantee higher prices for farm products.



ORGANIZATIONAL STRUCTURE

The Korean agricultural cooperatives are now organized into a two-tier system: the primary cooperatives at the township level and their federation (NACF) at the national level. However, until 1980, the agricultural cooperatives were vertically organized at three levels: primary cooperatives at the township level; city or county cooperatives at the city or county level; and the federation at the national level. They are horizontally classified into two categories; multipurpose primary cooperatives and specialized cooperatives. The multipurpose primary cooperatives are organized by the participation of the farmers who are mainly engaged in grain farming such as rice and barley, while specialized cooperatives are established by the farmers who are mainly engaged in fruit and vegetable farming.

The present two-tier system was restructured from the former three-tier system in 1981 in an effort to strengthen the managerial ability of primary cooperatives with which farmers have direct contact, and to develop them as a strategic organization for rural development.

The former city and county cooperatives were transformed into the branch offices of the national federation dealing exclusively with the banking business. Therefore, under the present system the NACF has the primary agricultural cooperatives and specialized cooperatives as its members.

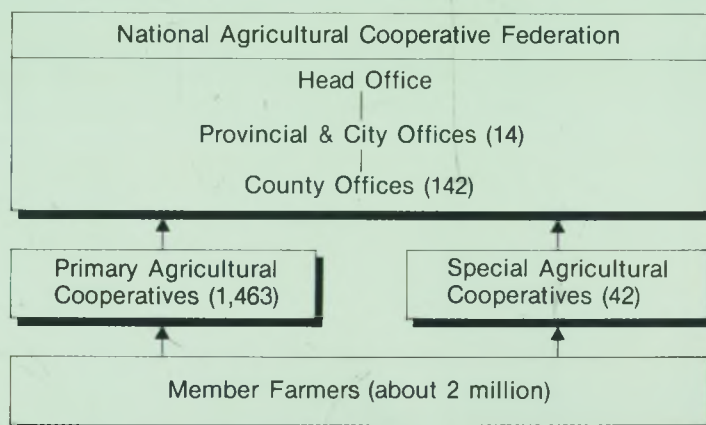
The primary cooperatives as multipurpose cooperatives are performing such activities as marketing of agricultural products, supply of farm inputs, farm guidance, agricultural credit service and cooperative insurance. The special co-

operatives until the end of 1988 had identical activities to the primary agricultural cooperatives except for the credit and insurance service. But with the implementation of the new Agricultural Cooperative Law from 1989, the autonomy and democratic operation of primary and special cooperatives will be strengthened and their business activities will be expanded with investment in private enterprises and agro-based industries. Also the special cooperatives will be allowed to perform the credit and banking business.

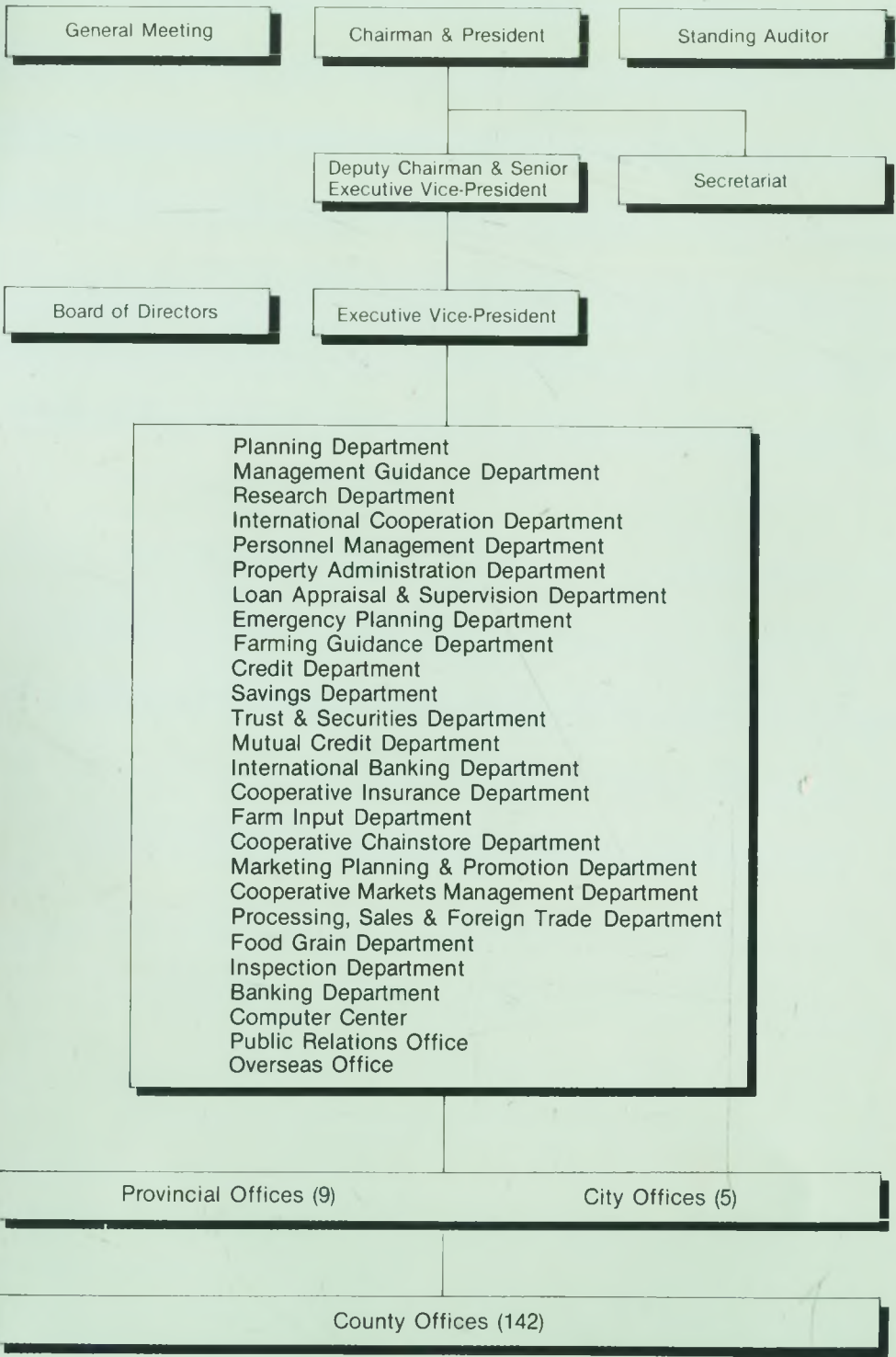
The primary agricultural cooperatives numbered 21,500 in 1961, the initial stage of foundation being organized at the village level, but since the early 1970s their number has decreased drastically to approximately 1,500 through an amalgamation project which took place between 1969-1974 in order to enjoy the economies of scale in its management.

The number of the primary cooperatives stood at 1,463, and the number of the special cooperatives, at 42 at the end of 1988. More than 90% of all farmers are affiliated with these agricultural cooperatives.

At the end of 1988, the NACF had 14 provincial level branch offices including five city branch offices, 142 county branch offices and 96 banking branches throughout the country. Eight training institutes including two agricultural cooperative leaders training institutes, 20 agricultural cooperative marketing centers, nine agricultural supermarkets, and farmers handicraft sales center are also operated by the NACF in order to support its various business activities efficiently.



**ORGANIZATION
CHART OF NACF**



BUSINESSES





MAJOR INDICATORS OF BUSINESS ACHIEVEMENT OF NACF, 1988

Business	1988
	(₩ billion)
MARKETING	
Sales by the NACF	800
Sales by the Member Cooperatives	1,506
SUPPLY	
Fertilizer	301
Agricultural Chemicals	61
Other Farm Inputs	52
Consumer Goods	657
BANKING	
Deposits Received	5,535
Loans Outstanding	5,438
COOPERATIVE INSURANCE PREMIUMS	
Life Insurance	431
Damage Insurance	4.2
	(US\$ million)
INTERNATIONAL BANKING	
Export Draft Negotiation	192
Import L/C Opening	409
Local L/C Opening	251
Foreign Exchange	360
FOREIGN TRADE	
Exports	7.1
Imports	48.4

MARKETING

In line with the commercialization of farming, the agricultural marketing business of the NACF and its member cooperatives has been regarded as one of the most important activities of the agricultural cooperatives. A high priority has been put on the marketing of farm products since the early 1960s when the multipurpose agricultural cooperatives were established.

Various cooperative marketing facilities have been constructed and operated both in rural and urban areas. However during the 1960s the development of the marketing business was not enough to meet the needs of farmers mainly due to the fact that subsistence farming was prevailing in Korean rural society at that time.

This was one of the important reasons why the marketing business of agricultural cooperatives was heavily dependent on the government-entrusted business, in which the NACF and its member cooperatives carried out marketing activities under the direction of the government with prices set by the government, during the initial stages of the 1960s.

In accordance with the increasing commercialization of farming and the successful completion of the primary cooperative merger plan, the self-initiated cooperative marketing business has

shown a rapid growth since the early 1970s. The development of market-oriented agricultural production has encouraged farmers to participate in cooperative marketing activities at the village level. Furthermore due to the amalgamation of small scale village level primary cooperatives into larger scale ones, the cooperative marketing business has been vitalized.

The total value of farm products marketed through the agricultural cooperative channel in 1988 increased by 25% over the previous year with a record of ₩2,306 billion. Out of the total, ₩800 billion came from sales by the NACF and ₩1,506 billion came from sales by member cooperatives. By commodity groups, ₩909 billion or 39.4% of the total came from the sales of fresh fruits and vegetables; ₩814 billion or 35.2% from foodgrains, 14.9% from livestock, and 10.5% from other commodities including processed food and raw material crops such as silk cocoon, malting barley, sweet potato for alcohol, etc.

The marketing business of the agricultural cooperatives can be classified into several areas and it includes the sale of farm products through the cooperative marketing centers operated by the NACF or by its member cooperatives, the sale of agricultural raw materials to processors on a con-



tract basis, the supply of fresh or processed vegetables to the Korean Armed Forces, the retailing of farm products or processed foods at the supermarkets run by the NACF, and the export of agricultural commodities.

The cooperative marketing centers as wholesaling marketing institutions, have contributed to the improvement of the fruit and vegetable wholesale market in Korea. They sell fresh fruits and vegetables to designated brokers through auction, and foodgrains, mainly rice, to grain retailers. A total of 20 marketing centers were operated by the NACF in the six major cities of Seoul, Pusan, Taegu, Incheon, Kwangju and Taejeon at the end of 1988.

The primary cooperatives and the special cooperatives also operate their own cooperative marketing centers. The number of marketing centers operated by the member cooperatives in 1988 was 54, of which 37 were run by the special cooperatives. The value of farm products sold by the 20 NACF cooperative marketing centers totalled ₩512.8 billion, out of which ₩351.5 billion was for food grain and ₩161 billion was for fruits and vegetables.

The NACF and its member cooperatives were engaged in the selling of agricultural raw materials to processors in 1988 as in

the previous years. This was done on a contract basis, i.e., production contract between farmers and cooperatives, and sales contract between cooperatives and processors. The value of raw materials sold under the contracts in 1988 was ₩218.3 billion.

Compared with the previous year, the supply of agricultural products to the Korean Armed Forces increased by 11%, recording ₩40.3 billion in 1988. Also in 1988 the NACF and its member cooperatives continued their efforts to encourage farmers to participate in cooperative activities in selling farm products. Support for the farming groups organized at the village level was an example.

Furthermore, the NACF and its member cooperatives have continued their efforts to improve the standardization of the packing and labelling of farm products in order to enhance the marketability. During the year of 1988, the NACF extended ₩4.0 billion for six commodities including unripe red pepper, in order to improve standardization, and ₩1.2 billion for the betterment of packaging materials. In addition, the NACF organized exhibitions for the brand and packaging materials of farm products in the spring and autumn of the year 1988.



MARKETING BUSINESS

	(in ₩ billion, at the end of year)				
	1984	1985	1986	1987	1988
Sales by the NACF	367	476	470	705	800
Sales by Member Cooperatives	463	645	918	1,133	1,506

(US\$1 = ₩684)

The NACF and its member cooperatives, with the help of the Ministry of Agriculture, Forestry and Fisheries and other related institutions, have made every effort to provide farmers with reliable and timely marketing information services. The NACF marketing information center releases market information on agricultural prices at different markets everyday. An automatic telephone answering device with a nationwide network was installed at the information center so that farmers can get price information.

The NACF marketing center also disseminated marketing information through radio and TV networks, newspapers and magazines, and other forms of publication media. Also a computerized on-line system has been utilized in collecting and releasing marketing information.

COOPERATIVE TRADE

The emphasis of the cooperative trade activities of the NACF is centered on increasing the exports of agricultural products through the development of existing resources in rural areas and the timely importing of farm inputs in order to increase agricultural productivity.

Accordingly, the NACF and its member cooperatives have endeavoured steadily to develop new export commodities and to expand trade volume through diversified business activities.

The total value of exports during 1988 amounted to US\$7.1 million, showing a

remarkable 69% increase compared with US\$4.2 million in the previous year. The total turnover of imports was US\$48.4 million, recording an increase of 44% in comparison with US\$34 million in 1987. The major export items were canned mushroom, processed chinese vermicelli and salted vegetables.

The export of canned mushrooms which has been one of the major export items in the past increased to US\$4.7 million, showing a 100% increase in comparison with the previous year.

The main reason for the increase can be ascribed to the rise in prices on overseas markets, and the unprecedented effort to diversify foreign markets. The export of other items including salted vegetables, processed chinese vermicelli and fruit recorded US\$2.4 million, a 26% increase compared with the previous year.

Also the increase of the import volume in 1988 was recorded in all items except split bamboo. Out of the total US\$48.4 million, the import of soybeans for food reached US\$45 million. The import of 161 thousand M/T of soybeans contributed to the stabilization in the supply of soybeans in the domestic market by using the price margin between the import cost and selling price as a subsidy for the domestic soybean farmers.

Other major import items were split bamboo for seed-beds, seeds, and office machinery. The timely import of farm inputs of good quality at lower prices such as seeds, raw materials for pesticides and split bamboo for seed-beds has greatly contributed to reducing the farming expenses of member farmers.



UTILIZATION & PROCESSING



The NACF and its member cooperatives have been supporting farming activities of member farmers through the provision of a variety of services related to farm management. The major utilization and processing activities are warehousing, transportation, joint utilization of farm machinery and operation of farm machinery repair shops, gas stations and milling plants for foodgrains. The number of warehouses operated by the agricultural cooperatives was 11,735 at the end of 1988. Among them, 4,649 warehouses were for the storage of grains, 5,210 for fertilizer and 1,876 for other farm products and inputs. At the end of 1988, the total floor space of warehouses owned by agricultural cooperatives was 2.9 million square meters and the storage capacity was 4.2 million M/T.

The total storage performance of warehouses in 1988 recorded 2.5 million M/T and ₩598 million was invested to upgrade the storage facilities of the warehouses.

The transportation business of agricultural cooperatives has been regarded as a strategic sector not only for the growth of the overall agricultural cooperative business including marketing and supply, but also for the maintaining of rural freight at reasonable level.

The number of trucks owned by member cooperatives was 1,911 or 1.3 units

per cooperative in 1988. During the year, the total quantity of goods transported by the agricultural cooperatives was 4.9 million M/T, showing a 7% increase from 4.6 million M/T in the previous year.

The NACF and its member cooperatives have facilitated the joint utilization of farm machinery among farmers in order to mitigate labour shortages in rural areas and to increase productivity of the farms. For this purpose they have endeavored to strengthen the function of farm mechanization groups at the village level.

A total of 288 farm mechanization centers equipped with 999 units of farm machinery were operated by primary cooperatives for the joint utilization of farm machinery in 1988. Farm mechanization centers have been reduced in number due to the dismantling of the poorly run centers and due to the promotion by the government of small groups for the farm machinery joint utilization.

The NACF published guide books on farm machinery joint utilization and distributed them to primary cooperatives and farm machinery utilization groups. Technical training programs were also carried out for staff members of the primary cooperatives and members of farm machinery utilization groups.

Also the primary cooperatives operated 694 farm machinery service centers in charge of after-service activities including repairing and supplying accessories, and 887 gas stations for the efficient supply of petroleum for agricultural purpose in the rural areas in 1988.

In addition, 87 primary cooperatives operated 95 milling plants and milled 68 thousand M/T of grains in 1988, 99% of which were rice.



SUPPLY

For the purpose of boosting up farm income, it would be necessary to increase farm production per acre and agricultural prices received by farmers. However, when the increase of production and prices are maximized to a certain level, there is no room for the generation of additional income. Therefore, it goes without saying that our interests must be concentrated on the minimization of the production costs of farm products.

In this regard, the supply of agricultural inputs has emerged as another important task for the agricultural cooperatives. The NACF and its member cooperatives have been conducting supply businesses in order to provide farmers with farm inputs such as fertilizers, farm chemicals and farm machinery at minimized cost.

This has contributed to the increase of agricultural productivity and farm income through reducing unnecessary marketing costs and constructing a collective bargaining power against manufacturers. In addition, they have been engaged in the supply of consumer goods to member farmers.

The total turnover of farm inputs and consumer goods supplied by agricultural cooperatives in 1988 reached ₩1,086 billion, showing a 6.8% increase compared with ₩1,017 billion in the previous year. Out of this amount, farm inputs and consumer goods accounted for ₩429 billion (40%) and ₩657 billion (60%) respectively.

The supply of chemical fertilizers has been monopolized by the NACF and its member cooperatives since 1962, when the Fertilizer Administration Law was enacted to cope with the problems of excessive nitrogen application, extreme price fluctuation, and regional imbalance of fertilizer distribution.

However, as such a monopolized supply system has caused inefficiency in the production and marketing of fertilizer, it has been inevitable to leave fertilizer to the free market. The NACF and its member cooperatives have been preparing for this structural change and agreed to adopt a free market theory in fertilizer production and marketing from 1988. Fertilizer supply last year stood at 2.2 million M/T, almost the same level as 1987. By the type of fertilizer, nitrogen accounted for 50.9% of the total supply while phosphate and potash represented 22.9% and 26.2% respectively. In addi-

tion to the chemical fertilizer, 234 thousand M/T of agricultural lime and 304 thousand M/T of silicic fertilizer were supplied by the NACF in an effort to prevent soil acidification and to improve soil fertility.

Since 1961, agricultural cooperatives were entrusted to deal with the farm chemicals exclusively, but in 1966 the private sector was allowed to become involved in this market. Since then, the agricultural cooperatives have been making every effort to provide farmers with maximized services in supplying farm chemicals.

Primary agricultural cooperative shops are always open regardless of the working hours and they deliver chemicals to the door of the farmers, if requested. In particular, for rice farming, cooperatives have encouraged farmers to make a joint effort to control diseases in order to maximize the chemicals' effects and to minimize their costs.

During the year of 1988, the NACF and its member cooperatives secured nine thousand M/T of farm chemicals for rice and barley to meet the high demand in the farming season and at the same time secured three thousand M/T of raw materials of farm chemicals against unforeseen damages by insects and diseases.

The total quantity of farm chemicals supplied by the agricultural cooperative channel in 1988 was 8.5 thousand M/T. Out of the total, pesticides and insecticides supplied for rice farming amounted to 6,350 M/T or 75% and the supply of herbicides decreased to 1,843 M/T in 1988 from 1,891 M/T in the previous year. The total amount of farm chemicals supplied by the NACF and its member cooperatives in 1988 reached ₩61 billion.

The NACF and its member cooperatives have endeavored to supply farmers with high quality seeds and seedlings at reasonable prices in 1988. The value of seeds and seedlings supplied through agricultural cooperatives recorded ₩15 billion and major items were rice, barley, maize, potatoes, garlics, and various kinds of other vegetable seeds as well as mulberry seedlings.

Along with the sharp decrease of the farm labour force due to the rapid urbanization and industrialization of Korean society, the mechanization of agricultural production has been accelerated since the late 1960s and the efficient supply of farm machinery has been conducted through agricultural cooperative channels. The NACF and its member cooperatives have supplied farmers





not only with various kinds of farm machinery including power tillers, tractors, rice transplanters, combines, and binders but also with financial assistance for the procurement of farm machinery.

The private and the agricultural cooperative sectors are presently both engaged in the supply of farm machinery. The NACF and its member cooperatives have engaged in granting farm machinery loans as well as in directly supplying farm machinery. The total amount of loans in 1988 reached ₹197 billion, showing a 13.7% increase compared with ₹173 billion of the previous year.

Other farm inputs supplied by the NACF and its member cooperatives include polyethylene film, polypropylene bags, and split bamboo for rice seed-beds and so on. The turnover of such farm inputs supplied in 1988 was ₹52 billion.

The consumer goods supply business of the NACF and its member cooperatives has greatly contributed to rationalizing consumption life in rural areas, to improving marketing channels and to stabilizing prices by providing consumer goods of high quality at reasonable prices. The consumer goods are channeled through chainstores

run by the primary agricultural cooperatives and the number of cooperative chainstores stood at 1,883 at the end of 1988.

SUPPLY BUSINESS

(in ₹ billion, at the end of year)

	1984	1985	1986	1987	1988
Fertilizer	335	356	347	345	301
Agricultural Chemicals	70	71	71	70	61
Seeds & Seedlings	12	12	12	13	15
Other Farm Inputs	61	64	58	59	52
Consumer Goods	290	338	422	530	657
Total	768	841	910	1,017	1,086

(US\$1 = ₹684)

The major items of consumer goods handled by the agricultural cooperatives have been classified into processed foods, clothing, kitchen ware, sanitation goods, housing materials, stationery, durable goods, and miscellaneous goods. In 1988 the total sales value of consumer goods increased by 24% to ₹657 billion from ₹529 billion in the previous year and the assorted feedstuffs sold by the cooperative chainstores increased by 26% to ₹270 billion from ₹215 billion in 1987.



BANKING

The institutional farming loans with low interest rates and a longer grace period will lessen the burden of capital rationing in most developing countries. The primary objective of the banking business is to provide enough cheaper credit with comprehensive services and to meet the financial needs of member farmers. Today, the agricultural cooperative credit occupies a place of pride in the banking system of Korea.

About 92% of institutional loans disbursed to the Korean agricultural sector are provided by the NACF and its member cooperatives. The business volume of the NACF in deposits is the second largest among the 14 major commercial banks in Korea. It holds about 92% of rural deposits.

In 1988, to overcome the highly competitive conditions under the reduced government control of the money market, organizational stress was placed on; acceleration of savings mobilization and securing more government policy loans for funding.

For efficient uses and management of funds, major concerns were given to the maximization of profits and the appropriate financial support for regional development projects on the nationwide level.

To provide an institutional loan security for small farmers, the NACF has been undertaking the Credit Guarantee Program for those farmers who apply for loans up to ₩5 million but lack material guarantees. The total amount of the guarantee fund was ₩89.2 billion at the end of 1988, an increase of 16.4% over 1987. The beneficiaries in agriculture and fisheries from this service numbered 681 thousand in 1988.

The Mutual Credit Scheme of primary cooperatives also played a pivotal role in the mobilization of rural savings and the distribution of agricultural loans. The savings under the Scheme reached ₩6,879 billion at the end of 1988, an increase of 34.7% over the previous year. The total loans outstanding under this program increased by 36.4% over 1987 to





₩4,938 billion.

As a new business in 1988, People's Stocks were allocated through the NACF to 1.3 million rural people under a welfare program of the government for low-income groups. The stock value amounted to ₩161 billion. With this business, the economic status of rural farmers is expected to be enhanced.

In particular, a nationwide campaign called Great March Toward Savings was launched in 1988. As a result, a 31% growth rate in terms of annual average balance was accomplished, showing a record performance during the last five years. A total of 661 thousand clients have registered as holders of the Bank-

ing Credit Card issued by the agricultural cooperatives.

The major funding resources of the banking business were deposits at the NACF's banking offices and borrowings from the government, the Bank of Korea and other international or domestic financial organizations. The total funding at the end of 1988 amounted to ₩9,441 billion, up 25.9% over the previous year.

Deposits received accounted for 58.6% of the total funding, borrowings for 35.7% and other sources for 5.7%. Deposits received at the end of 1988 increased by 19% to ₩5,535 billion. Out of the total deposits, demand deposits represented 38.3%, and time and saving deposits 59.3%. The total borrowings increased by 39.4% to ₩3,375 billion, recording favorable growth compared with the deposits received. Out of the total borrowings, government loans accounted for 32.5%, funds from the Bank of Korea for 17.7%, international funds for 4.5% and domestic funds for 45.3%.

The total outstanding loans amounted to ₩5,438 billion at the end of 1988, an increase of 23% over 1987. Newly extended loans in 1988 totalled ₩2,513 billion, an increase of 23%.

In particular, high growth rates were shown in the farm mechanization loans (102%), regional development loans (388%) and rural industry loans (196%). Also a steady increase continued in supplying farmland purchase loans and short-term farming loans.



MAJOR INDICATORS OF BANKING BUSINESS

	(in ₩ billion, at the end of year)				
	1984	1985	1986	1987	1988
Financial Sources of the NACF					
Deposits	2,278	2,717	3,317	4,652	5,535
Borrowings	1,182	1,395	1,662	2,421	3,375
Others	825	610	224	426	531
Loans	245	2,854	3,271	4,422	5,438
Credit Guarantee Balance	269	318	386	896	1,022
Deposits at Primary Cooperatives	2,214	2,628	3,522	5,107	6,879
Loans by Primary Cooperatives	1,584	1,856	2,532	3,619	4,938

(US\$1 = ₩684)

INTERNATIONAL BANKING



The international banking business was initiated in 1969 to provide foreign exchange service to customers, to support international trades of agricultural products and to induce foreign loans for agricultural development.

In 1973, the NACF was designated as "A" class foreign exchange bank, which enabled the NACF to offer fullfledged international banking services. The correspondent foreign banks have steadily increased to 724 banks all over the world at the end of 1988. During the year, the NACF concluded new contracts with 18 banks in communist countries to act up to the government's new trading policy. The 18 countries included China, Czechoslovakia, Hungary, Poland, Vietnam, Yugoslavia and so on. The domestic international banking business was expanded by opening 19 new local offices. Thus the number of branch offices totalled 70 at the end of 1988.

As a vital part of the international banking business, the NACF has also dealt with international funding institutions since 1968 for the purpose of supplying the medium- and long-term loans to agricultural development projects and member farmers at low costs. The major lending institutions include IBRD, ADB, KfW of West Germany and OECF of Japan. The foreign loans increased by 11% over the previous year to ₩153 billion at the end of 1988.

There were unfavorable conditions against steady growth of the international banking business either at home or abroad during the year. Severe competition was unavoidable with other commercial banks under the new interest

rates liberalized by deregulation of the financial markets, while low earning rate was inevitable mainly due to the rising value of won currency.

Despite these adverse conditions, the total turnover of the international banking business reached US\$1.2 billion at the end of 1988, an increase of 28.6% over the previous year. This resulted from diversification of business activities and efficient management especially in loan security.

The opening of letters of credit amounted to US\$409 million, an increase of 16.7% over the previous year. Deals of foreign exchanges including the remittances reached US\$360 million, showing a remarkable increase of 49.1% compared with 1987.

The negotiation of local letters of credit increased by 30.3% to US\$251 million, while the negotiation of export drafts was valued at US\$192 million, also a high increase of 22% over 1987.

To support the agricultural exports, a total of ₩38 billion was provided to those who had exported agricultural products during the year.

At the end of 1988, the outstanding balance of total foreign loans recorded ₩153 billion, showing an increase of 11% over the previous year. During the year, a total of ₩25 billion including the second OECF loan of ₩18.6 billion was newly introduced, while a total of ₩7.9 billion was redeemed. From the total outstanding foreign loans induced, IBRD shared ₩75.1 billion (49.1%), while OECF and KfW occupied ₩54.4 billion (35.5%), ₩10.4 billion (8.2%) respectively. The remaining ₩5.2 billion (7.4%) was supplied by such international banking institutions as AID, ADB, and CLCC.

INTERNATIONAL BANKING BUSINESS & FOREIGN LOANS

	(in US\$ million, at the end of year)				
	1984	1985	1986	1987	1988
Export Draft Negotiation	46	61	104	157	192
Local L/C Opening	94	154	171	193	251
Import L/C Opening	479	374	339	351	409
Foreign Exchange	146	149	180	241	360
Balance of Foreign Loans (in ₩ billion)	90	90	102	138	153

(US\$1 = ₩684)

The NACF and primary cooperatives have performed the cooperative insurance business for their member farmers who want their family lives to be secured against unexpected disasters.

The NACF as an insurance organization selling insurance policies through its banking branches, concurrently plays a role of a reinsurance organization and thus, policies sold by its member primary cooperatives are reinsured by the NACF.

The insurance business of the agricultural cooperatives is classified into two categories; life insurance and damage or non-life insurance.

The NACF and its member cooperatives handled 11 types of life insurance and their new policies sold in 1988 increased by 32.9% to ₩2,308 billion, compared to ₩1,736 billion in 1987. Thanks to the remarkable growth of the new policies sold and the decrease of surrender, the total amount of effective policies increased to ₩4,990 billion at the end of 1988 from ₩3,506 billion in 1987. The insurance premiums received during 1988 amounted to ₩431 billion, showing an increase of 32.6% over the previous year while insurance claims paid out to policy holders reached ₩155 billion during the year.

On the other hand, damage insurance premiums received by the NACF and its member cooperatives recorded ₩4.2 billion during 1988, showing a growth rate of 18.3% over 1987. Insurance

claims paid during 1988 increased to ₩408 million from ₩364 million in the preceding year.

The total amount of funds operated by the insurance business increased to ₩1,106 billion at the end of 1988, recording a growth rate of 37.6% from ₩804 billion the year before. Out of the total funds, 42.7% or ₩472 billion was invested in securities, 32.0% or ₩354 billion was allocated for loans to policy holders, 12.2% or ₩135 billion was deposited at the banking institutions and the other 13.1% was invested in miscellaneous assets including real estate.

Profits incurred by the insurance business have been refunded to member farmers directly or indirectly as part of welfare services. In this connection, ₩2.7 billion of scholarships were granted to 160 thousand middle school, high school, and college students during the year. In addition, a total of 190 thousand farm families were subsidized for their medical check-up.

The NACF developed two types of life insurance during the year. They are Farming Accident Insurance and Free Deposit Insurance and they have started to be sold from January of 1989. Farming Accident Insurance was developed to insure farmers against accidents by farm machinery and farm chemicals. On the other hand, Free Deposit Insurance was developed as a compound type of installment savings and life insurance.

COOPERATIVE INSURANCE



EDUCATION AND RESEARCH

The NACF and its member primary cooperatives have strengthened education and training of their executive officers and staff members with a view to enhancing their ability for the cooperative business management and services.

In this regard, the NACF has operated the Central Training Institute in Seoul and 5 provincial training institutes throughout the country. The Central Training Institute has provided various courses for executive officers of member cooperatives as well as staff members of the NACF. On the other hand, provincial training institutes have granted education opportunities for nearly 35 thousand primary cooperative employees.

The Central Training Institute, attached to the Agricultural Cooperative Junior College, offered 23 different training courses composed of general courses and specialized courses. The length of most of these courses were from 1 to 2 weeks, but several courses extended to 4 weeks. A total of 313 primary cooperative presidents and 4,230 NACF staff members completed the Institute courses during the year of 1988.

Each provincial training institutes provided 11 different courses and the total number of their beneficiaries reached 8,900 in 1988.

In addition to the training courses organized by the training institutes of the NACF, various education programs established by external education and

training institutes such as universities and colleges, and the Korea Banking Institute were offered to the NACF staff members. A total of 853 persons attended these courses including 24 who enrolled in graduate courses.

During the year, 19 overseas training programs were provided to 62 staff members of the agricultural cooperatives including the NACF.

On the other hand, the NACF has placed great emphasis on research and publication activities which mainly deal with the development of the agricultural cooperative movement as well as the rural economy.

The focus of these activities carried out in 1988 lay on the field of; (1) the improvement of agricultural marketing, (2) the enhancement of farm management efficiency, (3) the development of rural society as well as agricultural cooperative movements, and (4) the improvement of agricultural credit system.

With regard to agricultural marketing, the NACF conducted three major surveys on the urban consumers' behavior on buying agricultural products and the farmers' behavior on buying consumer goods supplied by agricultural cooperatives.

As for the farm management, three research works were completed including the research on the production costs of six selected crops, the research on farm management improvement and research on the participation of primary agricultural cooperatives in agri-business.

In connection with the development of the rural society, various studies were conducted by the NACF such as studies on the structure of farm labor, the structural change in the farmers' life style, and the consciousness of young prospective farmers.

Lastly, in relation to the agricultural credit development, various surveys on farm household economy were undertaken and a book entitled "Agricultural Finance in Korea" was written and published.

With regard to the publication activities, the NACF published various research reports and periodicals during the year. Major periodicals issued by the NACF were the Monthly Review (3,400 copies per month), the Annual Report (3,500 copies in Korean and English respectively) and the Agricultural Cooperative Yearbook (3,000 copies).



GUIDANCE ACTIVITIES



In order to enhance the social and economic status of member farmers, the agricultural cooperatives have conducted various activities for guidance. They can be categorized into three parts: managerial guidance for member cooperatives by the NACF; farming guidance for member farmers by primary cooperatives; and training and education for member farmers by the NACF.

The NACF has been carrying out various kinds of managerial guidance programs in order to support the sound development of primary cooperatives.

According to their development stage, all primary cooperatives are classified into two categories: cooperatives

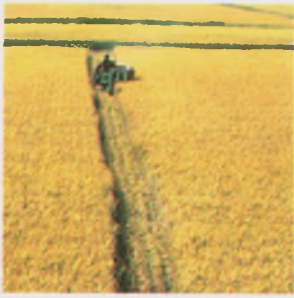
which are independent from external help (self-supporting cooperatives); and

cooperatives which still need external support (support-needed cooperatives). The former self-supporting cooperatives are again divided into two parts: developed cooperatives and developing cooperatives. Out of the total 1,463 primary agricultural cooperatives, 760 were regarded as developed, 609 as developing, and 94 as support-needed cooperatives in 1988. Out of the 42 special cooperatives, 20 were regarded as developed, 11 as developing and 11 as support-needed.

The farming guidance for member farmers conducted in 1988 fell into the following categories: implementation of Diversified Farming Project, Integrated Rural Development Project, Regional Agricultural Development Project, Agricultural Production Support Project, Farm Mechanization Project, Non-farm Income Increase Project, and Agricultural Technology Guidance Group Activities.

The Diversified Farming Project was started in 1983 to increase farm income through full utilization of agricultural resources. During 1988, ₩26.7 billion was extended to 128 thousand farmers in 8,226 villages under the Project. Also





236 primary cooperatives newly participated in the Project and the number of primary cooperatives undertaking this Project reached 1,057 by the end of the 1988. Under the Integrated Rural Development Project, ₩41.2 billion was extended to 250 project areas in 1988. The NACF has been concentrating on the fostering of grassroot organizations at the village level in order to support them in farming and livelihood and to promote effective implementation of business activities by primary cooperatives.

These organizations consist of 39,086 Farming Societies, 38,904 Women's Clubs, 23,883 Youth Clubs, 17,256 Joint Production-Marketing Groups and 3,169 Farm Machinery Joint Utilization Groups at the end of 1988.

The NACF has put a high priority on education and training activities. In 1988, 10,707 member farmers were trained in two Agricultural Cooperative Leaders Training Institutes which were established for the intensive training of member farmers.

In addition, the NACF opened the Farming Technology School designed to teach farmers modern techniques on livestock, mushroom growing, and green house farming. 2,317 farmers including young prospective farmers attended these courses in 1988.

For the efficient dissemination of information and farming techniques, the NACF is publishing a newspaper (Farm-



ers' Newspaper) with a circulation of 380 thousand copies every half week and a monthly magazine (New Farmers) with a circulation of 120 thousand copies per month.

The NACF has also extended public information services by utilizing various mass communications media such as newspapers, radio and TV in order to provide member farmers with up-to-date information on farming and business activities of agricultural cooperatives.



INTERNATIONAL COOPERATION

The international cooperation activities of the NACF aim to develop the cooperative movement through mutual exchange of experiences with overseas agricultural organizations and cooperatives. The activities have been categorized into several parts: sponsoring international meetings such as seminars, workshops, conferences and training courses; receiving visitors from abroad who want to learn about the Korean experiences in the agricultural cooperative development; and actively participating in the meetings held in other countries.

Most of all, the NACF hosted the following international meetings in 1988: an international seminar on the generation and transfer of technology for poor small farmers co-sponsored by the International Fund for Agricultural Development (IFAD); an international seminar on the improvement of financing systems for small farm management co-sponsored by the Food and Fertilizer Technology Center for the Asian and Pacific Region (FFTC/ASPAC); the second training course for strengthening management of agricultural cooperatives in Asia co-sponsored by the International Cooperative Alliance (ICA); and the 7th General Assembly of the Asian and Pacific Regional Agricultural Credit Association (APRACA) during which Dr. Ho-Sun Han, Chairman & President of the NACF was newly elected as the Chairman of the Association. A total of 140 experts from abroad including

South-East Asia took part in the above-mentioned meetings.

The former International Cooperation Division was enlarged to the present International Cooperation Department in 1988 to further expand the international cooperation activities of the NACF and also to cope with the mounting pressures to open the domestic agricultural markets from major trading countries.

In addition, the NACF expanded its cooperative activities with such organizations as the Food and Agriculture Organization Regional Office for Asia and the Pacific (FAO/RAPA), the Association of Food Marketing Agencies in Asia and the Pacific (FAO/AFMA), the Afro-Asian Rural Reconstruction Organization (AARRO) and the International Raiffeisen Union (IRU).

In 1988, 475 foreigners from 49 countries worldwide, who wanted to learn about the agricultural cooperative movement in Korea, visited the NACF. In parallel with the development of national economy as well as agriculture, the above activities are expected to considerably expand in the future.

The NACF also dispatched 67 delegates to the various international meetings in 1988. In an effort to enhance the work competence of staff members, the NACF provided 193 board and staff members with opportunities to attend training and education programs of agricultural cooperatives and banking institutions in advanced countries.



CONDENSED BALANCE SHEET

	(in ₩ million)	
	Jan. 1, 1988 Dec. 31, 1988	Jan. 1, 1987 Dec. 31, 1987
ASSETS		
Credit & Banking	8,381,927	6,924,209
Cash & Due from Banks	1,328,343	974,429
Securities	808,559	650,999
Loans & Bills Discounted	5,626,926	4,781,414
Foreign Exchanges & Due from Banks in Foreign Currency	22,337	12,690
Customer's Liabilities for Acceptances & Guarantees	20,529	35,187
Other Assets	575,233	469,490
Non-Banking Business	1,281,557	1,773,046
Supply	623,977	1,256,911
Marketing	250,738	221,120
Chainstores	62,029	45,665
Other Assets	71,479	4,648
Fixed Assets	273,334	244,702
Special Business	4,013,679	2,768,872
Guidance	64,904	57,916
Cooperative Insurance	1,104,270	802,458
Mutual Credit Scheme	2,646,440	1,826,319
Foodgrain	198,065	82,178
Total Assets	13,677,163	11,466,127
LIABILITIES		
Credit & Banking	9,761,264	7,777,373
Deposits	5,535,440	4,652,547
Borrowed Money	3,374,996	2,421,224
Inter-Office Settlement A/C	476,100	176,841
Acceptances & Guarantees	20,529	35,187
Other Liabilities	354,199	491,574
Non-Banking Business	353,405	887,253
Supply	5,030	118,021
Marketing	1,873	4,163
Chainstores	74,587	49,563
Other Liabilities	271,915	715,505
Special Business	3,391,109	2,639,240
Guidance	67,082	49,166
Cooperative Insurance	1,095,788	783,226
Mutual Credit Scheme	2,214,139	1,796,900
Foodgrain	14,100	9,948
Total Liabilities	13,505,778	11,303,865
Capital Funds	171,385	162,261
Capital	32,683	31,964
Reserves & Surplus	130,000	122,711
Undivided Profits	8,702	7,586
Total Liabilities & Capital Funds	13,677,163	11,466,127
	US\$1 = ₩684	US\$1 = ₩792

CONDENSED STATEMENT OF INCOME

(in ₪ million)

	Jan. 1, 1988 Dec. 31, 1988	Jan. 1, 1987 Dec. 31, 1987
INCOME		
Credit & Banking	778,182	583,610
Interest on Loans	466,827	359,356
Interest & Dividends on Securities	85,671	47,275
Fees & Commissions	85,234	57,811
Other Income	140,450	119,168
Non-Banking Business	1,558,882	1,495,545
Supply	144,801	684,435
Marketing	326,871	272,005
Chainstores	660,469	529,394
Other Income	426,741	9,771
Special Business	1,867,605	1,390,240
Guidance	404	314
Cooperative Insurance	1,347,809	979,016
Mutual Credit Scheme	51,802	42,268
Foodgrain	467,590	368,642
Other Income	202,512	114,560
Total Income	4,407,181	3,583,955
EXPENSES		
Credit & Banking	530,572	422,202
Interest on Deposits	284,715	226,270
Interest on Borrowings	159,344	116,526
Fees & Commissions	26,439	19,836
Other Expenses	60,074	59,570
Non-Banking Business	1,522,627	1,365,464
Supply	140,734	579,467
Marketing	308,950	254,981
Chainstores	651,337	523,453
Other Expenses	421,606	7,563
Special Business	2,048,172	1,479,156
Guidance	19,937	15,554
Cooperative Insurance	1,333,405	973,465
Mutual Credit Scheme	223,427	129,863
Foodgrain	471,403	360,274
General & Administrative Expenses	263,579	183,439
Other Expenses	28,369	124,784
Total Expenses	4,393,319	3,575,045
Profit before Taxes	13,862	8,910
Taxes	5,160	1,324
Profit after Taxes	8,702	7,586

These figures describing financial statements have been duly audited.

Lim Hwa Joo

Hwa-Joo Lim
Standing Auditor, NACF

**EXECUTIVES OF
THE NACF**



Ho-Sun Han
Chairman &
President



Chul-Hi Lee
Deputy Chairman
& SEVP



Ki-Soo Chung
Deputy Chairman
& SEVP



Hwa-Joo Lim
Standing Auditor



Chang-Soo Kim
EVP (Banking)



Hyun-Chan Shim
EVP (Marketing)



Byung-Doo Kim
EVP (Guidance)



Yang-Kyu Hwang
EVP (Planning)



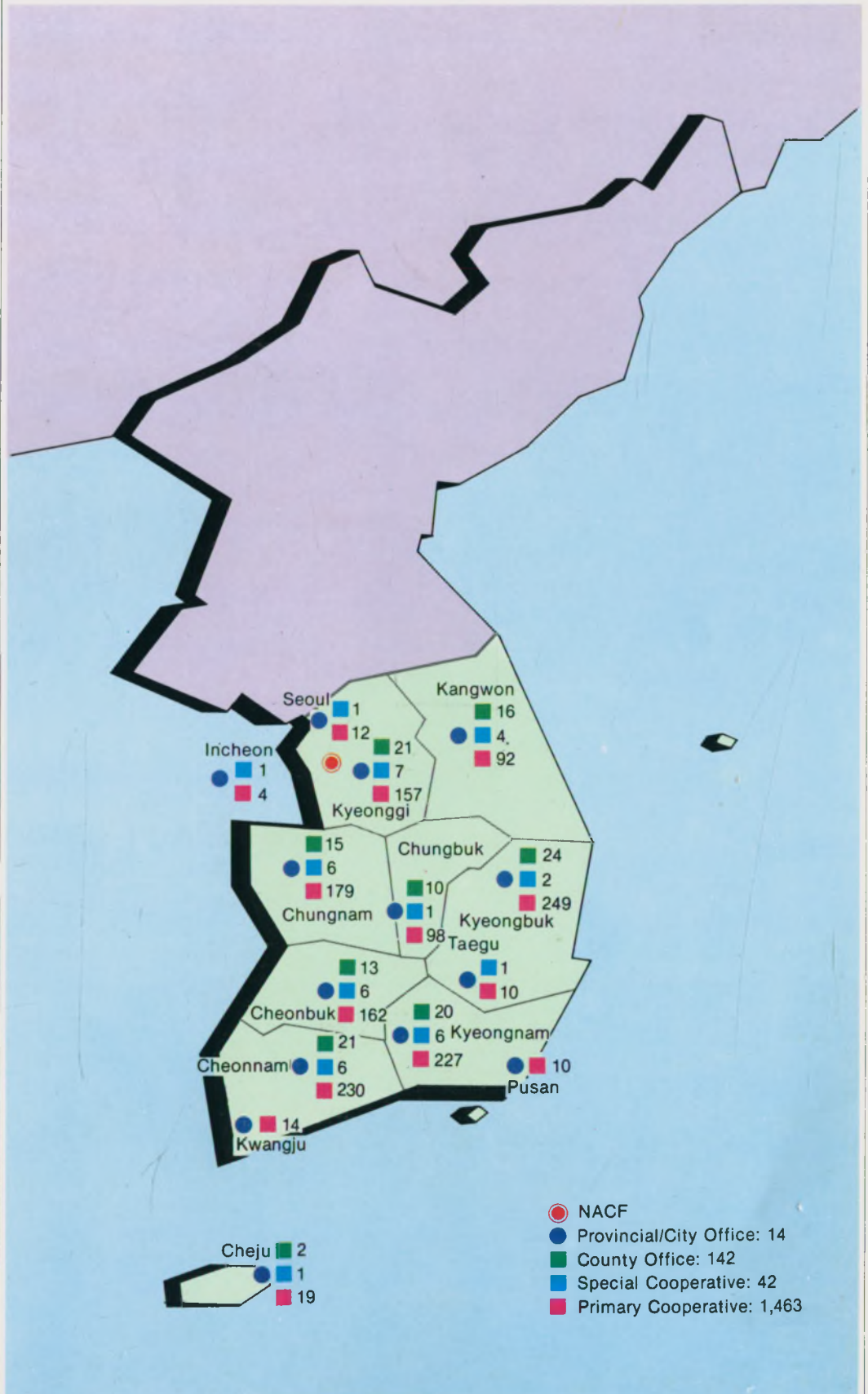
Han-Young Min
EVP (General Affairs)

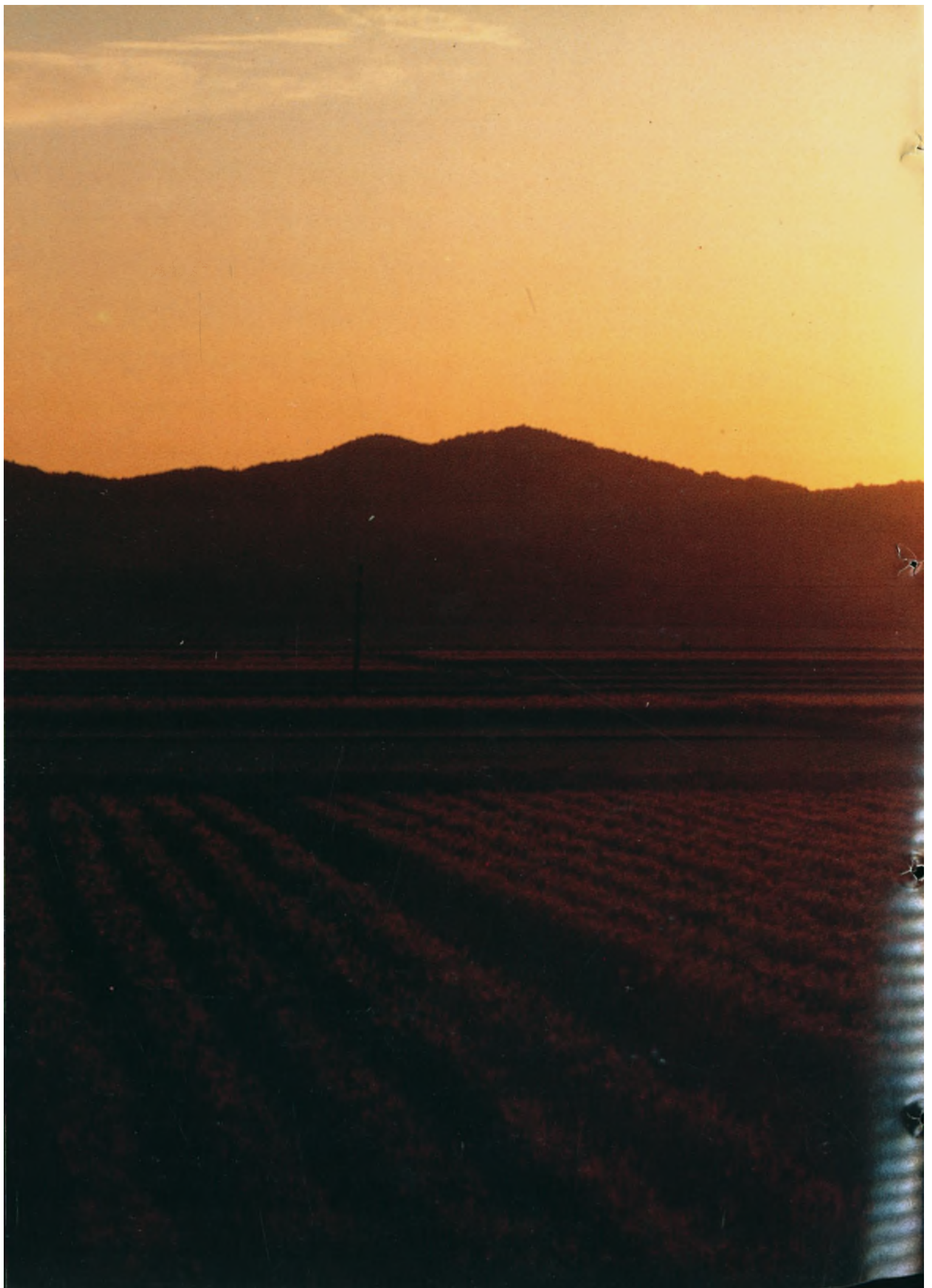


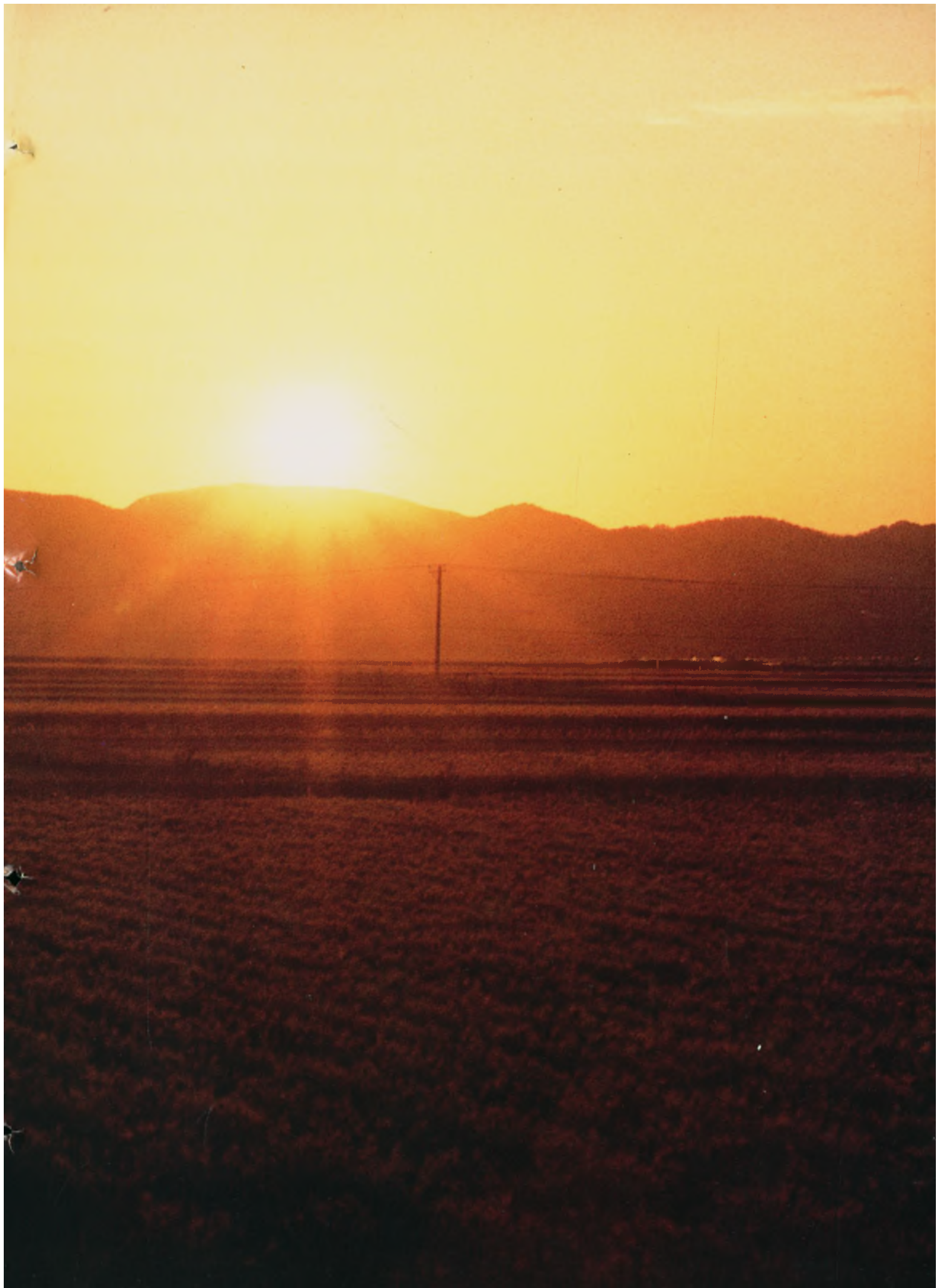
Kyung-Ok Chun
EVP (Supply)



**NETWORK OF
AGRICULTURAL
COOPERATIVES**









Cooperative Union of the Philippines Inc.

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RECENT TRENDS AND DEVELOPMENTS AFFECTING PHILIPPINE COOPERATIVES

By:

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Presented during the ICA Regional Council Meeting
held on May 15 - 16, 1989 in Seoul, Korea

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RECENT TRENDS AND DEVELOPMENTS
AFFECTING PHILIPPINE COOPERATIVES

Country Paper

I PRELIMINARY STATEMENT -

The institutionalization of cooperativism in the 1987 New Constitution paved for the expanded prominence of Cooperatives in the Philippine era. This adoption of cooperative policy in the Constitution unveiled 1987 as a banner year in the history of the Philippine Cooperative Movement, a first time for cooperatives to be given special recognition in Philippine society.

This milestone challenged the cooperative movement to rouse up from its almost quiescent state into a legitimate and democratic third sector force within society. Thus, the passing year, 1988 witnessed a renewed sense of commitment from diverse cooperative sectoral interests to voice out common concerns over a number of social and economic issues in order to perpetuate social justice and economic development objectives.

II TRENDS AND DEVELOPMENTS ON COOPERATIVES

As an offshoot from the adoption of cooperatives in the New Constitution, significant cooperative events have likewise followed in the year 1988, notable among which are the following:

A. Rationalization of the Cooperative Legal System/Cooperative Legislation

One of the most significant efforts to unite the fragmented cooperative movement is the move to rationalize cooperative legislations thru the Cooperative Development Authority/Commission (CDA/CDC), an agency that will govern all cooperative sectors (now under separate government agencies and several departments) and the Omnibus Cooperative Code. Majority of the nation's policymakers in Congress has taken cognizance of the primacy of such a private cooperative sector. In fact, the House of Representatives has passed on Third and Final Reading both cooperative bills (CDC and the Cooperative Code) with 152 sponsors out of 203 members. The Philippine Senate on the other hand has already taken up on First Reading the two coop bills. Both CDA and Coop Code Bills have 19 sponsors among the 23 Senators.

The Cooperative Movement hopes for the passage of both cooperative bills middle of this year (1989). Pending such legislative enactment, cooperatives are still governed and regulated under various fragmented laws.

B. Cooperative Banking and Finance

A fairly extensive incidence of well-organized cooperative intermediaries exists. Prime examples

of such cooperative financial intermediaries channeling funds from capital surplus areas to capital deficit areas are the NATCCO, NAMVESCO, VICTO¹ and PFCOI. These organizations manifest effective and successful intermediaries among their member-cooperatives, mostly credit cooperatives. However, such a scenario displays a disorganized quilt work pattern of successful cooperative financing intermediaries in certain geographical regions, while in other areas similar activities are ineffective or non-existent.² One example is the abundance of credit cooperatives in urban areas serving middle-class members, while there are few credit cooperatives for the poor farmers in the depressed areas. This of course affects the entrepreneurial climate in the various regions. A properly managed national cooperative bank could address one of these problems; to enhance interlending between credit-cooperatives.

This situation triggered the cooperative movement with the help of a USAID grant to complete a comprehensive study to determine the need and feasibility for the establishment of an apex cooperat.

¹Consultancy Report on the Philippines: Innovative Approaches to Coop. Mgt., Finance & Trade Project, p. 27.

²Ibid.

tive bank which will cater to the financial needs of all types of cooperatives. The establishment of such an apex cooperative bank, however, requires initial capitalization of One Hundred Million Pesos, of which 25% must be subscribed and a 20% minimum must be paid-in. A minimum subscription of Ten Thousand Pesos is required for every prospective coop member.

A strategy by the Supreme Cooperative Council of the Philippines (SCCP)³ which spearheads the movement to establish such a bank, is to organize first a formalized vertical system of a cooperative financial intermediary (CFI) among existing cooperative CFIs. It is to play a leadership role as a national spokesman for the financial needs of the cooperative movement. This vertical CFI structure is existent in the Central Cooperative Finance Development, Inc. (CCFDI). The CCFDI requires only a much lower initial capital investment.

On December 10, 1988, the CCFDI was formally organized by 34 cooperative leaders with over ₱343,000

³A loose alliance of apex cooperatives registered under different laws, namely: Cooperative Union of the Philippines for coops governed under P.D. 175; Federation of Electric Cooperatives of the Philippines for electric cooperatives under P.D. 269; Sugar Cooperatives Development Institute of the Philippines, Inc. for sugar cooperatives under P.D. 775; Office of Transport Cooperatives for Executive Order 898 governing transport cooperatives; and the Cooperative Foundation Philippines, Inc. acting as Secretariat.

paid-up capital. Notwithstanding resistance from certain cooperative organizations, CCFDI's registration under the Bureau of Agricultural Cooperatives Development (BACOD) is currently underway.

C. Cooperative Trade

Worker-owned/industrial cooperatives more popularly known as producers' cooperatives involved in the production/arrangement/packaging of Philippine handicrafts, seaweeds, prawns and many other areas comprise a minor portion of the Philippine cooperative movement. ICA is aware of the growing market for many of these products in overseas export traders. Thus, technical assistance from the ICA Cooptrade has been made available to the cooperative movement. A visible recognition of the Philippine's participation in ICA Cooptrade activities is the appointment/election of the Philippine representative as Chairman of the ICA Cooptrade Committee. The Philippine representative to this Committee is working on several projects concerning cooperative trade in the Philippines. Four cooperatives are involved in the export of rattan furniture and eight cooperatives in exporting seaweeds; one cooperative exports marble artifacts, one exports tobaccos/wrappers and three coopera-

tives export ramie fiber. Other Philippine products being investigated for cooperative export include tropical fruits, cashew nuts and prawns.⁴

Early February, 1989, a National Cooperative Trade Conference with participants composing of cooperative leaders from all over the country directly and indirectly involved in marketing and exporting activities decided to establish the Philippine Cooptrade Center (PCC), a branch office of ICA Cooptrade. The PCC is tasked to explore domestic and international trade on a cooperative to cooperative level.

The very limited, if not non-existent facilitating mechanism for cooperative marketing was recognized as a major problem of most cooperatives. Thus, the CUP created a Cooperative Marketing Secretariat (CMS), a non-business unit which will facilitate and strengthen marketing capabilities of cooperative producers and prospective buyers of commodities by providing market information, technical assistance and other support services.

D. Cooperative Education and Training

A very impressive amount of attention is being given to cooperative training. It is the least

⁴Consultancy Report on the Philippines: Innovative Approaches to Cooperative Management, Finance & Trade Project, p. 27.

neglected area because training is widely available. Various cooperative courses are offered by many organizations such as NATCCO and its 5 regional training centers, by CUP/RCUs, the CFPI, PFCCI, NAMVESCO, cooperative primaries per se, not to mention government-sponsored pre-membership seminars and some NGOs.

The prime importance of cooperative education and training was underscored in the formulation of a Five-Year Cooperative Education and Training Plan adopted in April 1988 by the BACOD, ACCI and CUP. The main feature of this program is the ladderized approach to cooperatives education and training and the development of standard training designs for 19 types of training modules which are believed required by various cooperatives to enable them to operate more efficiently. This Program also calls for the creation of the National Cooperative Training Council (NCTC) to be composed of representatives from CUP, NATCCO, ACCI, BACOD and the Department of Education, Culture and Sports.

Standard training materials and a pool of resource persons are expected to be created after the Plan has been operationalized⁵

⁵The Integrated Cooperative System of the Philippines: Status, Thrusts and Directors, Dr. Leandro R. Rola, p. 57.

E. Consumers Cooperatives

Various technical (foreign and local) assistance/missions have been tapped for the development of the Philippine Consumers Cooperative Movement, but it seems this cooperative sector needs a lot of efforts. The comprehensive Consultancy Report prepared by former ICA Consumers Cooperative Adviser M.K. Puri cited ten recommendations for the strengthening of the consumers cooperative movement which is in its infancy stage.

The Metro-Manila Federation of Consumers Cooperatives, Inc. (MMAFECCO) seeking to alleviate the worsening problem of the Philippine consumers cooperatives proposed in 1988 a project proposal entitled: "Establishment of a National Distribution Center for Consumers Cooperatives and Development of Human Resources" and submitted it to the ICA thru the CUP for possible fund sourcing. This proposal would cost around US\$230,000.00. Hopefully, the approval of this proposal will help revitalize the Philippine consumers cooperative movement.

Likewise, three area consultation conferences were conducted in three strategic places in the country under a joint collaboration of the CUP, ICA and the BACCD to help develop the consumers cooperative system. This may represent another major sig-

nificant step forward for the cooperative movement.

F. Agricultural Cooperatives Development

Significant assistance has been offered to agricultural cooperatives by the ICA with support from FAO, ILO, CUP, BACOD and ACIDI. First, a one-month Course on Project Identification and Planning was conducted in January and February, 1988, where several agricultural project proposals were drawn up. These project proposals were submitted to various donor agencies for funding. Second, a two-day National Follow-up Conference on Perspective Planning for Agricultural Cooperative Development was convened in February, 1988. A major highlight of this conference was the finalization and adoption of the National Perspective Plan for Agricultural Cooperatives Development (1988-2003). Another offshoot of the Conference was the formation of the National Farmers' Cooperative Promotion and Development Council (NECPDC) with the task of drawing up policies to implement the Perspective Plan for Agricultural Cooperative Development. Dr. Alfred Bretschneider has been seconded by the ICA to the CUP for three months initially to help implement this Plan.

G. Cooperative Audit

The CUP embarked on the program of accrediting CPAs to provide audit services to all cooperatives at low cost. This is in response to the growing need for low-cost auditing and other auditing problems of cooperatives. INCAS (Integrated National Cooperative Audit System) is still a top priority program of CUP. The INCAS' pool of 308 accredited private CPAs is currently offering low-cost audit services to the cooperatives.

H. Strengthening the Cooperative Structure

The latest development in the CUP is the move to re-define, develop and strengthen regional and national cooperative structures to strengthen the entire cooperative movement and solidify private sector leadership over cooperative development efforts. This can only be achieved however under proper consultation with its provincial, regional and national member-affiliates. It is in this context that a two-day National Consultation Conference will be held in April, 1989 in ACCI,⁶ UPLB, Laguna.

⁶ Agricultural Credit and Cooperatives Institute, University of the Philippines, Los Baños, Laguna.

III NATIONAL COMPREHENSIVE SURVEY ON COOPERATIVES

The current status of cooperatives in the Philippines is reflected in 3 comprehensive national surveys conducted by a) BACOD, b) National Task Force on Cooperative Development of the National Agricultural and Fisheries Council (NAFC) and c) CFPI-NATCCO survey.

Results of the survey are as follows:

The BACOD has registered/re-registered the following types of cooperatives as of June 30, 1988:

Primary Cooperatives

Credit Cooperatives	1,625
Consumers Cooperatives	840
Service Cooperatives	193
Marketing Cooperatives	324
Producers Cooperatives	219
Multi-Purpose Cooperatives	287
Pre-Cooperatives (SNs)	17,115

Secondary/Tertiary Cooperatives

Area Marketing Cooperatives	78
Cooperative Rural Banks	29

Cooperative Federations

National	15
Regional	10
Provincial	21

Cooperative Unions

National	1
Regional	13
Provincial	36

An inventory survey of the agricultural and non-agricultural cooperatives under P.D. 175 from November, 1987 to February 1988 was conducted by the National Task Force on

Cooperative Development of the NAFC. The survey reveals the following findings:

Of the 17,115 registered pre-cooperatives (Samahang Nayons (SNs)), 12,921 in 13 regions (75 provinces) or 75.5% were visited by several survey teams throughout the country utilizing the DA/BACOD and CUP/NF/RCU network. The biggest number of SNs surveyed were in Western Visayas (1,623), Southern Tagalog (1,605), Ilocos (1,475), Central Luzon (1,450). The least number of SNs visited were Bicol (525), Western Mindanao (674), Eastern Visayas (735), and Cagayan regions (902). However, of the 12,921 SNs surveyed, only, 2,382 (18.4%) were classified as active, 2,464 (19.1%) semi-active and 8,075 (62.5%) dormant.

The inventory survey also reveals that of the 78 Area Marketing Cooperatives (AMCs) registered by BACOD, 34 were active with a total membership of 3,484 SNs and 111,066 farmers. All of the 29 Cooperative Rural Banks (CRBs) registered are operating.

Regarding non-agricultural cooperatives, 776 credit cooperatives were visited with 52% categorized as institutional, 43% community type and 6% market vendors cooperatives out of 1,625 registered. Of the 776 credit cooperatives visited 91.1% of the institutional type were active as well as 86.9% of the community type; and 43 market vendors credit cooperatives. Out of the 840 consumers cooperatives registered, 313 were visited and 9 out of 10 of these were found active.

For the other types of cooperatives, the survey reveals the following findings:

- 1) Marketing cooperatives - 80 were visited with 88.7% considered active. Of these 86% were engaged in agricultural marketing excluding the 34 AMCs.
- 2) Service cooperatives - 55 were visited like water, irrigation, housing, janitorial services and 89.1% found active.

- 3) Producers cooperatives - 40 were visited and 66.7% found active.
- 4) Multi-Purpose cooperatives - 159 were visited and 144 found active (90.6%).

On the other hand, the Cooperative Foundation of the Philippines, Inc. which conducted a nationwide survey of cooperatives, SNs and self-help groups from late 1987 to June 1988 with NATCCO doing the census and data gathering covered 8,185 organizations categorized as follows:

<u>Organization</u>	<u>Number</u>	<u>Percent</u>	<u>Membership</u>
SN with economic activities	5,967	61.91%	33,944
SN w/o economic activities	558	8.82%	224,014
Coops (various types)	1,589	91.45%	1,607,204
Coop Federations/Unions	86	1.05%	36,341
Self-Help groups	741	9.05%	87,528
Associations	144	1.76%	

The survey further reveals that the 1,589 cooperatives and 5,725 SNs which are affiliates of 86 coop federations/unions as of 1987 had a total of 1,855,212 members. It also reveals that of the 1,607,254 members of the 1,589 cooperatives, 62% were males and 38% were females. The average membership of the coops surveyed was 120 per cooperative in 1987. Interesting findings of the survey include the following:

Financial Information (1987 in Peso)

Assets (1,113 coops)	₱ 6,137,253 per coop (average)		
Liabilities (867 coops)	4,661,953	" "	"
Networth (1,018 coops)	1,155,213	" "	"
Capital (1,031 coops)	522,457	" "	"
Gen. Reserves (796 coops)	329,332	" "	"
Net Income (974 coops)	18,910	" "	"

Percentage of Coops Engaged in Economic Activities

a) lending:

- 79% credit coops engaged in lending operations
- 19% multi-purpose coops engaged in lending operations
- 2% CRBs engaged in lending operations

b) savings:

- 76% credit coops engaged in savings operations
- 21% multi purpose coops engaged in savings operations
- 3% CRBs engaged in savings operations

Average Volume of Business (1987)

Lending (607 CC; 142 MPC; 17 CRBs) 5,115,951 per coop (ave)
 Savings (362 CC; 101 MPC; 16 CRBs) 2,316,512 " " "

On CETF⁷ (1,128 Responses)

639 coops are remitting
 622 coops average amount allocated for CETF - ₱7,279
 306 coops average remittance - ₱6,237

Where Funds of Coops are Deposited (1987)

CRBs	198 coops	44,892.00 per coop (ave)
Other banks	948 "	215,422.99 " " "
Primary coops	70 "	139,832.31 " " "
Secondary coops	58 "	24,985.00 " " "
Tertiary coops	38 "	33,952.00 " " "
Other coops	44 "	228,129.00 " " "

Problems Faced by Coops (1,589 Responses)

Financial	-	70%
Organizational	-	36%
On Linkages	-	6%
Training	-	4%

⁷Cooperative Education and Training Fund.

Borrowings by Coops (1987)

406 coops	-	₱ 486,812 per coop (ave)		
52 electric coops	-	4,417,235	"	"
Outstanding balance	-	2,489,258	"	"

IV CONSTRAINTS ON COOPERATIVE DEVELOPMENT

Various studies conducted by local and foreign experts on the past, present status and future directions of cooperatives revealed the following constraints which hamper cooperatives' growth and viability -

1) Fragmentation of existing legislations -

Various legislations have contributed to the fragmentation and a general uneven development of various sectors of the cooperative movement. While prior legislation remains in force, until a new legislation is passed under the New Charter, the cooperative movement will continue to grope its way in this legislative darkness. There is also a need to rationalize cooperative legislation in a uniform and consistent manner which addresses each cooperative sub-sector, for example agricultural and non-agriculture, etc.

2) Fragmentation of Government Regulatory Authority

This problem has been compounded with the issuance of Executive Order No. 116 in January, 1987 which converted the Bureau of Cooperatives Development (BCCD) into the Bureau of Agricultural Cooperatives Development (BACOD) leaving non-agricultural cooperatives without a regulatory home. Added to this was the government's priority thrust to develop agricultural cooperatives. Although the 1987 Constitution makes provisions for creating an agency to promote cooperatives, its enactment into law is still an arduous task for cooperatives.

3) Restrictive Government Policy Towards Cooperatives

There is a noticeable inadequacy in government incentives to encourage cooperative expansion. This can be gleaned in the lack of tax incentives and absence of clear and uniform legislation covering the treatment of cooperatives. Furthermore, government intervention manifests a negative impact upon cooperative expansion, examples of which are restrictive policies on processing of and access to farm credit/commodities and their markets.

4) Absence of formalized Cooperative Finance System

The absence of a formalized cooperative finance vertical system to meet financial needs of cooperatives remains a major development constraint. It is hoped that the CCFDI which aims to cater to the financial needs of all types of cooperatives will soon be fully operational and help solve this problem. The CCFDI is envisioned to eventually become a central cooperative bank.

5) Weak Structure for Providing Cooperative Education

There appears to be a weak cooperative institutional structure for providing sustained education on cooperatives. Existing cooperative training institutions are beset with scarcity of trained staff and inadequate financial resources to be able to meet the educational needs of the entire cooperative sector.

6) Lack of Qualified Cooperative Managers

This constraint has always been a problem of the cooperative movement. Although thousands of prospective professional managers are being turned out from respected educational institutions, their lack of cooperative practical experience and cooperatives' limited financial constraints to recruit and train such potential cooperative managers hampers cooperative growth and development.

7) Slow Capital Build-up

The cooperative movement continues to suffer from the absence of a long term capital build-up program. The limited operating capital and restricted borrowing capacity of many cooperatives contribute to sub-standard business performance.

8) Limited Support Services

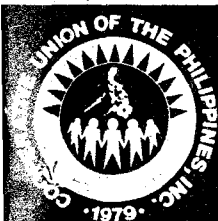
Most regional and national cooperative cooperative unions, federations and support organizations still exhibit human and capital resource constraints which limit their respective abilities to expand the range and quality of educational and business related services which they are able to extend to the cooperative community

V CONCLUSION

The Philippine Cooperative Movement is now preparing itself for the great challenge offered by the Government Agrarian Reform Program (CARP) and other government efforts to develop the rural areas through Small-Scale industrialization etc. In all these programs, cooperatives are expected to play a decisive role. As much as we presently highly appreciate generous offers to Philippine Cooperatives to send staff to be trained abroad in Management skills,⁹ the cooperatives are in equal need of small-scale technological know-how as well as knowledge on product development for agrobusiness products. Whatever can be offered to our cooperatives within these areas by cooperative organizations in our neighbor countries in Asia will be gratefully accepted.

⁸Cooperatives in the Philippines, A Study of Past, Performance, Current Status & Future Trends, Mark Van Steenwyk.

⁹One example is the Japanese Government supported project on Management Training for Agricultural Cooperatives.



CUP GAZETTE

VOL. 7 NO. 1-2

Jan.-Feb. 1989

"Let us work together in unity to achieve a common goal"

Coop dads ask D.A. to sell needed lot

Sixteen key officials of national and regional cooperative federations this month appealed to Agriculture Secretary Carlos G. Dominguez for the sale of a lot adjacent to the Cooperative Union of the Philippines (CUP) building in Quezon City.

In a resolution passed last February 19, the cooperative leaders reasoned that the lot will be used to house the Philippine Center for Cooperatives Development (PCCD) and national headquarters of all cooperative organizations in the country.

The lot is owned by another coop, the Cooperative Marketing Systems of the Philippines headed by Bureau of Agricultural Cooperative Development Director Clemente E. Terso, Jr.

CUP sources said that the coop leaders have been clamoring for the sale of the lot directly to the umbrella organization but Secretary Dominguez was reportedly more inclined to sell it through a public bidding. CUP offered 1.2 million pesos for the 1,000 square meter lot.

CUP Secretary General Arcadio S. Lozada said the union plans to construct a seven-story building which will serve as training center, headquarters of the various sectoral federations of coops, home of a cooperative broadcast station and a printing press, national coop library and a data bank.

It will be the physical expression of the apex organization's efforts at further unifying the various sectors in the cooperative movement, Gen. Lozada pointed out.

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Export Market explored

A new project of the Co-operative Union of the Philippines and the International Co-operative Alliance may yet play a big role in the economic recovery effort of the government.

Dubbed as the Philippine Co-operative Trade Center, the project will try to centralize the export capabilities of local co-operatives into a singular work machine.

The effort, according to CUP Secretary-General Arcadio Lozada, will be geared towards increasing the export potential of the entire country, using cooperatives as vehicles.

On the whole, the Co-opTrade will serve as market information center for the entire local co-operative movement. It will conduct a continuing inventory of exportable products produced by co-operatives as well as products for inter-co-optrade in the domestic market, extend technical assistance on product upgrading, packaging and development and facilitate commodity and currency transactions.

To be of service to the entire co-operative movement, it will also act as

(To page 4)

TWO SIDES OF THE SAME ISSUE

Gov't eyes NGO's role

Four government officials are taking a serious look at village organizations to see if they can help increase the income of agrarian reform beneficiaries and other agricultural workers.

Can farmers make do with just an informal organization to increase their income?

Or will their earning capacity get better as a member of a formally organ-

(To page 5)

Unions want to organize tenant-farmer cooperatives

The Cooperative Union of the Philippines (CUP) has asked the government to grant the cooperative movement the lead role in the promotion, organization and development of cooperatives among agrarian reform beneficiaries.

The offer was made by the CUP board following the recent approval by the Department of Agrarian Reform (DAR) of a Cooperative development program for agrarian reform beneficiaries.

In their proposal to Dr. Leandro R. Rola, head of DAR's coop development program, coop leaders asked that the program will be administered by the CUP with the help of the different national federations, regional cooperative unions and

(To page 5)

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We welcome news articles, features and letters from the readers for publication in the Gazette.

EDITORIAL

Symbol of Unity

For quite some time, the cooperative movement was a widely fragmented group and unity seemed a pipe dream. It was only during the martial law years when leaders in the movement sought each other's company, discussed common problems and jointly explored solutions to these problems.

These meetings of mind have given birth to strong regional and national federations and unions, resulted to inter-trade and inter-lending between them and made possible the drafting of proposed laws designed to institute major legal reforms governing the cooperative movement.

It is not surprising, therefore, that when key leaders of the movement from the different regions of the country sat together at the middle of February, they again acted as one in appealing to Agriculture Secretary Dominguez for the sale of a lot adjacent to the present CUP building to be used, among other things, as the national headquarters convention center house for the different coop federations and CUP broadcasting station.

Indeed, they realize the necessity of building a physical symbol of that unity nurtured through the years. In their hearts they know that the success of the Philippine cooperative movement anchors on concrete expressions of cooperation. And having the different federations holding offices under one roof accentuates cooperativism as practiced by its leaders.

It is now the turn of the government through secretary Dominguez to listen and decisively act on the coop leaders' plea. A gesture of support on the part of the national leadership to the cooperative movement at this crucial time, will definitely go a long way in cementing an honest to goodness partnership between the two sectors.

*"A JOURNEY OF A THOUSAND MILES,
BEGINS WITH A SINGLE STEP."*



Sugar Cooperatives

Development Institute of the Philippines

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PHILIPPINE REPORT ICA 31st Regional Council Meeting Korea, May 1989

by
JOSE MA. A. VILLANUEVA

I. Co-operative Legislation Update

The House of Representatives through the floor leadership of Rep. Pedro Romualdo and Rep. Margarito Teves passed on Third Reading the two main co-op bills: HB 10787 (Creating a Cooperative Development Commission) and HB 13029 (Enacting an Omnibus Cooperative Code).

Both Bills were initiatives of the members of the SCCP (Supreme Cooperative Council of the Philippines) undergoing a participatory law-making process of consultations and inputs for seven months before they were reported out of their respective committees in the House (HB 10787: Committee of Economic Affairs; HB 13029: Committee on Agriculture).

These bills each had 152 sponsors including the individual members of sponsoring committees (Agriculture, Government Reorganization, Appropriations) and the vanguard role on the floor was played out by Rep. Romualdo. Initially, there was strong opposition to HB 10787 from the opposition which felt that the commission being proposed was a superbody. Mediation was arranged through Rep. Escudero inasmuch as Escudero had sponsored similar measures during the Marcos Administration.

On the part of the Executive branch of government, the Department of Agriculture led a lobby on behalf of Cabinet to substitute for the proposed Commission a Cabinet Council which the Department of Agriculture felt would meet in substance the intent of Art. XII, section 15 of the Constitution which provides that "Congress shall create an agency to promote the growth and viability of cooperatives as instruments of social justice and economic development."

Upon representation of SCCP, the congress felt that a full time commission which had a proper policy program recognizing the primacy of the private sector was the need of the times rather than a part-time coordinating committee of Cabinet members.

The Department of Agriculture attempted to obtain the certification of President Aquino for their Administrative bill. But the swift passage of HB 10787 on the House of Representatives derailed this attempt as one half of the legislative branch had already spoken.

Of interest to coops also is the language on tax treatment in HB 13029. Two categories are provided:

Section 62 - Non-Taxability

Transactions between coops and their members.

Section 63 - Tax-Exemption

Transactions between coops and general public enjoy tax exemption from all national taxes including import duties provided that their undivided net savings not exceed P5 million.

Coops with net savings of more than P5 million shall pay:

- A.) Income Tax - on the amount allocated for interest on capital; Provided, the same tax is not imposed on interest individually received by members.
- B.) Sales Tax - on sales to non-members; Provided, that all crops regardless of classification are exempt from income and sales taxes scheduling for Second Reading.

II. On Sugar Cooperatives Development Institute of the Philippines

We closed the second year of the withdrawal of Tax Incentives of Cooperatives and still in the dark as to any relief for the hard-pressed sugar cooperatives. As we start the third year we do so with the hope that within the not so distant future, the "light at the end of the tunnel" will show.

At this point, we note with concern that while the bill on the proposed Cooperative Code of the Philippines has been passed on third reading in the House of Representatives, its counterpart bill in the Senate has only hurdled first reading. The bill in the organization of Cooperative Development Commission is in no better situation.

Very recent developments make us feel very pessimistic on the approval of both bills in the current session of Congress.

With IMF requirements, the proposed 10-year exemption from payment of sales and income tax as well as exemption from payment of taxes on imported machineries, may meet objections of financial authorities in government.

For this reason, the SCCP in considering a watered down version of tax exemption so that such will not come counter to current government fiscal policies.

If within the near future, the bills on cooperative would become law, an open mind to some changes have to be made if only to avail of the benefits provided in the bills, for only in GIVING, we could RECEIVE.

My sincere thanks to the National Agricultural Cooperative Federation (NACF) and to the people of Korea. Warm greetings and good day to all.

Manahan named SCCP Chairman

The Supreme Cooperative Council of the Philippines, an alliance of cooperative federations and unions, recently elected its new set of officers to govern its affairs for the ensuing year.

Former Senator Manuel P. Manahan, who represented the Cooperative Foundation of the Philippines (CFPI), was elected Chairman. Also elected were B/Gen. Arcadio S. Lozada of the Cooperative Union of the Philippines as Vice-Chairman; Mr. Francis Nacienceno of the Federation of Electric Cooperative of the Philippines as Treasurer; and Myron Gawigawen also of CFPI as Secretary.

The Sugar Cooperative Development Institute of the Philippine is now represented in the SCCP by Mr. Modesto Rubio vice Mr. Luis Kilayko.

The SCCP worked for the inclusion of a provision in the new Constitution on cooperatives as instruments for social justice and economic development.

It initiated with CUP the drafting of the Cooperative Development Authority Bill and its accompanying Omnibus Code and lobbied for their passage in both houses of Congress.

The recently organized Central Cooperative Finance Development, Inc. (CCFDI) is the latest of its advocacy work in coordination with CFPI and CUP.

The SCCP is temporarily housed at the CUP Bldg., corner A. Roces, and Mo. Ignacia St., Quezon City.

**"COOPS MUST BE
THE LIFELINES
OF THE POOR"**

BACOD simplifies ways of coop registration -- Francia

The registration and organizational requirements for cooperatives have been considerably reduced and simplified, it was learned from Assistant Director Joseph Francia of the Bureau of Agricultural Co-operatives Development, Department of Agriculture.

"BACOD used to have seven requirements on the organization of co-operatives," Francia said. "Now it has only four."

The four requirements when organizing co-operatives are the following:

1. Filing of the application to organize with the Department of Agriculture regional office or with the Regional Co-operatives Development Assistance Office through the provincial agricultural office together with the feasibility study/economic survey;
2. Conduct of the pre-membership education among prospective members;
3. Holding of the organizational meeting where the articles of incorporation and by-laws are adopted and the board and committee members are elected; and
4. Meeting of the board of directors/committees to take up among others the election of officers.

(To page 4)

Can coops take risks and blaze new trails?

Can cooperatives afford to take risks in new business ventures and blaze new trails?

The idea of cooperatives as business entrepreneurs was unthinkable not very long ago when coops were thought only as service organizations or instruments of self-help.

But more and more people in government, the cooperative movement and international organizations are convinced the time is ripe to teach coop managers to become business builders.

In fact, by July of this year, a two-year program on cooperative entrepreneurship for rural development is expected to take off the ground.

A joint project of the International Labor Organization, the Cooperative Union of the Philippines and the Bureau of Agricultural Cooperative Development of the Department of Agriculture, the program will cost about P4.4 million derived from local sources and \$690,247 from a foreign donor.

The ambitious project hopes to convert the present breed of cooperative presidents and managers into efficient entrepreneurs who know when to enter into a good project, how best could coop funds be used for the benefit of members and other specialized business and management training courses.

The program calls for the launching of a whole educational program in a span of two years. Schools in the Philippines do not offer courses related to coop development.

In preparation for its launching, the CUP and BACOD invited leaders of cooperative organizations from all over the country to a two-day workshop on cooperative training and development. It will be held at UP-Los Baños from March 17 to 18.

They are expected to help refine the plan and make it succeed.

ICA supported rice mill is successful

International Cooperative Alliance' (ICA) Project Director, Mr. M.V. Madane recently visited the Philippines for an ocular inspection in Iloilo City of the Rice Milling Project.

The rice mill was put up by Ms. Norma Barranco, General Manager of the First Iloilo Area Marketing Cooperative in practical application of the Case Study she submitted in the six months training-seminar on 'Strengthening Management of Agricultural Cooperatives in Asia' held two years ago.

The course covers India, Thailand, Japan and Korea sponsored by ICA and the Japan Agricultural Cooperatives.

The successful development and implementation of the project is attributed not only to the subsidies sponsors have provided but the benefits the project subsequently gave to the people.

Mr. Madane also met two other

persons who are still working on the practical aspect of their Case Studies to be submitted for technical and funding assistance.

They are Messrs. Sofronio Culiati of Soro-Soro, Batangas and Jose Palmares of Bacolod City whose intended projects will involve corn production and sugar refinery, respectively.

However, the two agricultural cooperative practitioners joined a different but shorter cooperative training of similar nature.

The possibilities for the expected assistance for the ongoing project and projects being conceived will depend on the evaluation and recommendation of Mr. Madane to the sponsoring organizations.

The Cooperative Union of the Philippines provided the ICA Project Director assistance in his survey and evaluation.

More members join CCFDI bandwagon

Investors in the recently organized Central Cooperative Finance Development, Incorporated have been increasing since 40 incorporating members formally organized it.

This was learned recently from Atty. Florencio Corral, a member of the task force which was behind the project. The CCFDI was organized last December 10, 1988 in Quezon City.

Among the incorporators were a broad representation of different cooperatives and federations all over the country from credit unions to electric cooperatives and cooperative banks.

Investors to the apex finance arm of the cooperative movement are limited to organized cooperatives who could subscribe to 10 shares valued at P1,000.00 each. The amount of investment could be paid upon acceptance or on a staggered basis.

Interested investors are encouraged to get in touch with the CCFDI c/o Supreme Cooperative Council of the Philippines, CUP Bldg., corner Rocas Avenue, Mother Ignacia St., Quezon City, Tel. 99-10-73

Export Market explored. . .

(from page 1)

liaison center for policies, regulations and assistance.

Because it may take some time to set up the needed components to make the CopTrade Center operations, Lozada said it may initially conduct national conferences to promote inter-co-optrade among co-operatives, offer technical consultancy, put up exhibits, conduct trainings and send trade missions abroad to open new markets for our products.

To be a member of the Philippine Co-operative Trade Center, the co-operative must:

1. apply for membership with a board resolution;
2. provide the PCC with pertinent information like financial statements, products handled, etc.;
3. be a registered co-operative;
4. have been paying CETF contributions; and
5. be willing to pay membership dues.

With the organization of the Philippine Co-operative Trade Center, Lozada said he could see two things happening: 1) increase in the volume of business of participating co-ops; and 2) the expansion of their export market.

Lozada said the CUP has appointed Atty. Conrado Baltazar as PCC manager.

BACOD simplifies. . .

(from page 3)

There used to be 10 requirements for the registration of co-operatives. "These have been reduced into only five," Francia said.

In four copies these are:

1. Articles of incorporation and by-laws accompanied by the treasurer's affidavit on paid-up capital;
2. Minutes of the organizational meeting;
3. Minutes of the first meeting of the board of directors;
4. Certificate of completion of the pre-membership seminar in the case of primary co-operatives; and
5. Registration fee in money order payable to the Cooperative Education and Training Fund, CUP.

Coop dads. . .

(From page 1)

Signatories to the appeal sent to Dominguez were CUP President Jaime P. Asuncion of the Cagayan Valley Regional Coop, Felipe Fronda of the Cooperative Union of Region I, CUP Vice President for Luzon Leandro R. Rola of the Agriculture Credit and Cooperative Institute, Manuel P. Alonzo, Jr. of the Cooperative Union of Region Eight;

CUP Vice President for Visayas Cresente C. Paez of the Region 7 Union Coops, Isidro P. Mirontos of the Western Mindanao Union of Coops, CUP Vice President for Mindanao Glicerio E. Lorejo, Sr. of the Cooperative Union of Region XI, Filomeno A. Bautista, Jr. of the Northern Mindanao Union of Coops, Felix A. Borja of the Bicol Union of Cooperatives.

Renato Yanes of the Cooperative Union of Region XIII, Modesto P. Lopez of the Philippine Federation of Credit Cooperatives, Josefina E. Gaerlan of the Philippine Federation of Women for Cooperatives;

Pacito N. Nefulda of the Katipunan ng mga Kilusang Bayan sa Gitnang Luzon, Adolfo A. Ibanez of the National Federation of Cooperatives, James Roberson of the National Market Vendors Cooperatives Service Federation and Arcadio S. Lozada, CUP Secretary General.

**"Without
Unity the
poor will
stay poor"**

Gov't. eyes NGO. . .

(From page 1)

ized farmers co-operative?

"This time government will let the farmers decide for themselves," Bureau of Agricultural Co-operatives Development Director Clemente E. Terso, Jr. said. "They may start with a mere association, Later, they may realize a need for a business enterprise like a co-operative."

Representatives from the Department of Agrarian Reform, Department of Environment and Natural Resources, Agricultural Credit and Co-operative Institute, and the Department of Agriculture have already agreed on certain policies that would govern future efforts to organize farmer associations. These are the following:

- Non-government organizations (NGOs) will be given the lead role in the formation of farmer associations and co-operatives;

- Only in places where there are no NGOs will government directly assist farmers in the formation of their formal

or informal organizations;

- No barrio savings fund nor barrio guarantee fund will be collected from members of new organizations;

- Government will not disturb the prevailing set-up in places where there are viable and/or active samahang nayons and other farmer associations. It will, however, assist them to graduate into full-pledged co-ops when called upon to do so; and

- Successful farmer associations and co-operatives will be transformed into learning centers where group of farmers will be brought to learn tested farm techniques and management skills.

Trainings and workshops have already been started by the BACOD for officials and field implementors of DAR, DERN, ACCI, DA, and NGOs. New training modules were designed by ACCI for these training/workshops. In addition, new information materials like brochures, primers, and flyers were prepared to support the thrust.

Unions want. . .

(From page 1)

provincial cooperative unions.

When approved, the proposal shall be a major departure from past practices when the government played a lead role in cooperative development. Coop leaders have pointed out that sectors where government played supportive roles were more successful than in areas where it took direct hands.

Besides national federations, the movement has 13 regional unions, 41 provincial cooperative unions and other local federations already in place whose services could be tapped in pushing through the program.

The CUP pointed out that for cooperatives to be formed, their membership must be voluntary in keeping with

the basic principles of self-help and democratic control.

While the private coop movement will be in its forefront, DAR will provide the support services while non-government and grassroots organizations will be actively involved in detailed planning and program implementation.

It will cost the government a total of P55 million to implement it in three years.

It has been observed that the Marcos initiated agrarian reform program accomplished little in the countryside. It lacked support services like cheap credit, farm-to-market roads, irrigation and a marketing system beneficial to farmers.— apb

SNs to be made into cooperatives

The present effort of the Aquino government to transform samahang nayons into primary multi-purpose agricultural cooperatives was hailed by a farmer organization after Agricultural Secretary Carlos Dominguez revealed recently that all avenues are being tapped by the administration to make farming profitable.

Virgilio Santiago, president of the Federation of Dairy Farmers of Bulacan, said his organization is very much interested in this new development because he could foresee that the new thrust of the Bureau of Agricultural Co-operatives Development (BACOD) along organization of primary multi-purpose co-ops would redound to the good millions of farmers in the entire country.

Santiago said most farmers like him need a well organized marketing network in order to earn more.

Meanwhile, Director Clemente E. Terso, Jr. of the Bureau of Agricultural Co-operatives Development (BACOD) reacting to adverse reports concerning the Samahang Nayon Program of the government published in some metropolitan dailies said to set the record straight the following are the official figures on the project as culled from available documents:

Cooperative Union of the Philippines
CUP Bldg., corner Roces Avenue
Mother Ignacia, Quezon City

Coop code moves closer to getting passed into law

The proposed omnibus Cooperatives Code of the Philippines recently moved closer to getting passed into law when the House of Representatives of Congress passed it on second reading.

In an interview with Congressman Pedro Romualdo, the man behind the coop bills, he said passage of the bill on second reading meant it has passed the word for word scrutiny of members of the lower house.

The coop code is just waiting to be passed on third and final reading which the solon said will simply be a ceremonial activity since all amendments have already been introduced.

In his sponsorship speech, the legislator from Camiguin pointed out that it is high time that the government stops meddling in the internal affairs of different types of cooperatives.

One of the most important feature of the code is the granting of autonomy to the cooperative movement as a sector with sufficient provisions for internal control.

Other salient provisions included the granting of privileges of cooperatives with P5 million or less net savings not to be subject to taxes in their transactions with their members. They are also exempted from import duties of equipment.

The code likewise authorizes cooperatives in organizing their own banks from community levels up to an apex bank at the national level. Another major provision is the inclusion of cooperative promotion, organization and development of cooperatives among agrarian reform beneficiaries.

A related bill, that of creating the Cooperatives Development Commission as the sole registering and regulatory body for cooperatives was passed last November 1988 in the same house.

The team working for the passage of both bills in congress revealed that the two legislative measures are yet to hurdle the Senate where these are scheduled to be discussed on the floor any time this March.

Credit coop organized

The St. Francis Xavier Credit Cooperative, Inc. held its first general assembly last January 22, 1989 at the parish church of St. Francis Xavier at Greenheights, Mayamot, Antipolo.

The Board of Directors were elected after discussions on vital issues relevant to its operations.

The newly elected members and officers of the Board of Directors were Josefina E. Gaerlan, President; Jose E. Wi, Vice-President; Liberty Libataque, Secretary; Dory Cruz, Treasurer and Gertrudes Antivola, Director.

Arturo Cristobal, Joe Veterbo and Bert Wi were elected members of the Credit Committee while Flor Vergara, Hermie Flestado and Celeste Obligation made it to the Supervisory Committee.

The cooperative has started extending loans to its members and encouraged to spread the news.

stamp

Government axes dormant cooperatives

Regional Cooperatives Development Assistance Office XII Executive Director Norberto S. Ferrer recently announced the offensive and continuous involuntary dissolution of inactive cooperatives in the region.

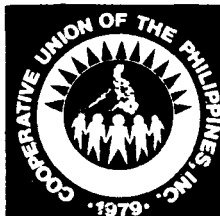
This is being undertaken after the office initiated the dissolution/liquidation of inactive cooperatives. Based on its progress report, a total of 30 cooperatives and 39 Samahang Nasyon were already served with show-cause order.

A show-cause order states the reasons for the move to dissolve the cooperative and orders the cooperative to show cause within 15 days from receipt of the order why it should not be dissolved and its registration cancelled.

Director Ferrer said that this was just part of the preliminary step made by the office. There were many inactive cooperatives to be identified soon and will be subjected to proper legal action.

He reiterated that the dissolution of inactive cooperatives is for updating the roster of cooperatives as well as enhancing the quality of cooperatives in Central Mindanao.

(See page 5)



CUP GAZETTE

VOL. 7 NO. 3-4

March-April 1989

"Let us work together in unity to achieve a common goal"

Salonga backs up pending coop laws

Senate President Jovito Salonga recently threw in his support for the passage of two major bills on cooperatives pending passage at the senate.

In a meeting with Cooperative Union of the Philippines (CUP) Secretary General Arcadio Lozada and other National Cooperative Leaders at the Army and Navy Club, the senate president reassured leaders of the movement he was for the passage of SB No. 485 creating a Cooperative Development Authority or Commission and SB No. 513 known as the Omnibus Cooperative Code of the Philippines.

The twin bills have been passed on third and final reading at the House of Representatives but are yet to be submitted to the floor for second reading in the senate.

For the speedy passage of the bills into law, Senator Salonga advised lead-

ers of the cooperative movement to come out with shorter versions.

CUP officials, however, thought that further reduction of the number of pages of the proposed cooperative code would be quite difficult.

They reasoned that its drafting was done by a collegial body represented by different sectors in the movement. The same representatives shall again be consulted if one has to make abbreviated versions of sections in the code affecting them. Besides the House of Representatives has already passed on Third and Final reading HB 13029 which is the same version of SB 513.

They proposed instead the submission of explanations on the need to include each and every provision and a substantial summary of the code. The house version was 88 printed pages.

COOPS HASTEN AGRARIAN REFORM

The formation of primary multi-purpose co-operatives among Northern Luzon beneficiaries of the Comprehensive Agrarian Reform Program (CARP) could hasten the implementation of the new agrarian reform law.

This was the general feeling farmer-leaders of non-government organizations (NGOs) who converged at the Benguet State University as participants in "How to Fully Realize the Potentials of Agrarian Reform and Agricultural Development".

The seminar was jointly sponsored by the University of the Philippines School of Labor and Industrial Rela-

tions, Friedrich Ebert Stiftung and the Benguet State University.

Noting that the new agrarian reform law is weak in some parts and may fail to address the problems of tenancy and poverty, the group unanimously agreed to establish farmer co-operatives to complement CARP. Co-operatives, according to them, may prove to be a better deterrent to communism and anti-reform elements than the present law on agrarian reform.

Joseph H. Francia, assistant director of the Bureau of Agricultural Cooperatives Development (BACOD), underscored during the conference the

need and importance of formally organized farmers' associations with linkages with other sectoral groups, whether they be public or private. Co-operatives, he said, can provide farmers with a better fighting chance against exploiters.

Likewise noted by the group were provisions on retention limits, exemptions, grace periods and alternative schemes which limit CARP coverage to only about five to ten percent of all private agricultural lands.

(See page 5)

EDITORIAL**GOOD LAWS THEN WHAT?**

With the statement of support made by no less than Senate President Jovito Salonga on two pending bills affecting cooperatives in the senate, their passage into law is almost a foregone conclusion. The counterpart bills in the Lower House have been passed. It will just be the President's signature which will be needed later for those laws to be made operational.

The landmark legislations shall have far reaching implications on the growth and development of cooperatives in the Philippines. They will be left alone to fend for themselves, grow at their own pace and help each other. The government comes in only as a registering and regulatory agency with some support wherever and whenever these are needed.

No other sector, not even the two autonomous governments of Mindanao and the Cordilleras, shall have been given as much privileges and freedom as the cooperatives. In simple terms, the present administration has called the cooperative movement's challenge for autonomy.

As things stand, the movement is widely fragmented: divided by sectoral interests and parochial aims. Although they do have broad aims and directions, that of aspiring to become a truly third sector of the economy side by side with government and the corporate sectors, this has not been transformed into workable programs involving the key leaders in the movement.

First, what will the coop leaders do when the Cooperative Development Authority (CDA) starts organizing its staff? Will there be a scramble for positions or will they recommend people for key positions on the basis of consensus?

Second, how will the movement propose to make the visions and provisions of the proposed code become a living reality? Are competing federations willing to sit down together and map out a practical strategy whereby they could speed up the growth of cooperatives particularly among the poorest of the poor by pooling their resources and manpower? Or will there be further and farther fragmentation? Or worse, an attitude of apathy on the part of the more successful coops already comfortable with their present status?

This world is full of good intentions and beautiful dreams. But only men of courage can convert dreams and intentions into enjoyable realities. It is high time that cooperative leaders rise to the situation and do the the role they bargained for.

For if and when we fail despite the good laws on our side, we have only ourselves to blame.

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FEATURE

COOPS: Big Business for small entrepreneurs

Ordinary individuals, farmers and workers who have no capital to start a business of their own can band together to establish an enterprise.

In fact, hundreds of thousands of people have done this, going beyond the usual course of starting businesses - single proprietorships, partnerships and corporations. Instead of earning profits in these forms of business enterprises by serving the needs of other persons or institutions, they profit mainly from the patronage of their many member-owners.

They have put up cooperatives.

There are ten types of cooperatives, according to the classification made by the Bureau of Cooperatives Development. As of March 31, 1988, there were 3,524 cooperatives registered with the bureau and classified as follows:

- Credit Cooperatives, 1,566
- Consumer Cooperatives, 834
- Marketing Cooperatives, 313
- Producers Cooperatives, 214
- Service Cooperatives, 190
- Multipurpose Coops, 213
- Area Marketing Coops, 78
- Cooperative Rural Banks, 31
- Unions, 47
- Federations, 38

Credit unions are the most numerous and successful cooperatives. Credit cooperatives are generally among the employees of large and successful corporations. Share capital can be readily collected from the members through salary deductions. There is also a number of experienced managers who can be tapped to manage the businesses of the cooperative.

Credit cooperatives provide financial services and thus are extensions of the banking system. This is one way where ordinary workers

begin to control a portion of the financial services that banks find so profitable.

A cooperative that recently managed to put together assets exceeding P1 million is the Metrorail Employees Credit Cooperative. Total assets of this cooperative were worth P1,040,811 as of end of 1987. The share capital supplied by its 718 members amounted to P767,861.

Credit cooperatives earn income for their owner-members by providing loans at reasonable rates to their members. The Metrorail Employees Credit Cooperative charges interest of 12 percent for the loans it grants.

A look at the loans granted by credit cooperatives shows how useful they have been to their members. One example is the Retelco Employees Credit Cooperative, Inc. According to its annual report for 1987, the loans this coop processed in 1987 amounted to P4,030,700.

Of the total, 326 loans for house repair or rental amounted to P1,334,700. Another 149 loans were in the form of emergency loans for medical purposes, which amounted to P679,900, and 118 educational loans worth P419,900.

This cooperative also spawned 86 new businesses, with loans amounting to P419,900, according to the report.

Successful credit cooperatives may also be formed among members of a community.

An excellent example is the San Dionisio Community Credit Cooperative, Inc. in Paranaque. As early as 1981, this cooperative had gathered share capital amounting to P3.3 million. Its membership reached 4,300 individuals.

There are also successful credit cooperatives composed of market vendors who now depend less on usurers

for the cash they need.

One of the more successful vendor's cooperatives is the Baclaran Credit Market Vendors Credit Cooperative which in 1985 had share capital of over P6.3 million contributed by some 2,000 owner-members. Other examples of successful market vendors' credit cooperatives are the Central Market Vendors' Credit Coop in Manila and the Digos Market Vendors Credit Coop in Davao.

Many members of market vendor cooperatives were able to free themselves from the clutches of usurers who charge P1 weekly for every P5 they lend. This adds up to an interest rate of more than 1,000 percent.

In far-off Davao City, a group of cooperatives and Samahang Nayong (considered pre-cooperatives) got together and formed their own rural bank.

Excerpts from the annual report of the Cooperative Rural Bank of Davao City, Inc. showed that it had as of end of 1986, P17.7 million in resources, a net worth of P3.4 million and share capital contributions of P1.0 million. Amazingly, its net income was P905,198.

This rural bank had received from its members and the public P2.9 million in savings deposits and P2.1 million in time deposits.

Another form, consumer cooperative, enables its member-owners to purchase consumer goods at more favorable rates. It does this by buying in bulk. The members pay less for consumer goods they buy when they earn patronage rebates and from the interest they earn from their share capital.

An excellent example of a consumer cooperative is that of the

(See page 5)

A VISION

The coop movement in the 21st century

(Digested from a paper presented by CUP Secretary General Arcadio Lozada during the National Workshop on Cooperative Training and Development held at UPLB on March 17-18, 1989) by the ILO, CUP, BACOD and ACCI.

A national bank owned and managed by cooperative unions with branches all over the land. Viable agricultural cooperatives taking roots in every community. Different types of coops engaged in inter-trade and export to their counterparts abroad. In sum, the cooperative movement turns into the third economic sector in the Philippines hand in hand with government and private enterprises.

Is the scenario just the product of the fertile imagination of an incurable visionary? A product of wishful thinking? The answer is a big no. It is a projection on what will happen to the cooperative movement in the foreseeable future.

It is grounded on solid grasp of what has been happening in the movement for the past few years. The foundations on which the future shall be built for the cooperative movement have painstakingly been set. Today, the cooperative movement is at the threshold of an adventure into the future never before attempted in the past.

Leaders in the movement are agreed that the ultimate goal is for cooperatives to become the third economic block that would play an important role in the development of the country. To reach that goal, a few strategic moves have been made to lay the foundations

on which that goal shall be reached.

Consider these recent developments:

1. The lower house of congress recently passed on third and final reading two important bills affecting the cooperative movement: the omnibus cooperatives code of the Philippines and a bill creating a Cooperative Development Commission, the coop movement's counterpart to the corporate world's Securities and Exchange Commission.

The same bills have garnered the support of 29 out of 23 senators which makes their passage into law a foregone conclusion. These bills drafted by leaders from the movement, embody their present needs and future dreams and finally grant cooperatives rights and privileges many of which they never enjoyed in the past.

2. Organization of the Central Cooperative Finance Development Intermediary, forerunner of a national apex bank. The CCFDI is the first giant step the movement has taken in pursuit of a dream for cooperatives to build their own banking system.

3. An offer made by the Cooperative Union of the Philippines to handle for the government the setting up and development of cooperatives among agrarian reform beneficiaries.

4. Intensified promotion of inter-trade between coop federations with the end in view of linking the rural based producers' cooperatives with consumers and market vendors cooperatives in the urban centers and exploration of the export market, particularly cooperatives in other countries.

5. A program involving non-government organizations to go into cooperative development among the poorest of the poor in areas where these are involved.

And other little known but related programs being pushed through by the different regional and sectoral federations of cooperatives which are bound to contribute to the growth of the cooperative movement.

The 21st century shall witness the triumph of cooperativism values of honesty, discipline, mutual help and trustworthiness over materialism, egoism and a double standard of morality. With this change in attitude, self-reliant, strong and unified non-agricultural and agricultural cooperatives shall mushroom, a phenomenon that will serve as a practical means of raising the standard of living in both the rural areas and the urban centers. Inter-coop trade is a relatively young practice pioneered by a few regional and national federations in the late 70s. As the coop federations gather more experiences and lessons, their practice of doing business with each other is expected to grow by leaps and bounds in the next few decades and assume national and even international scope before the middle of the 21st century.

Later, the stronger cooperatives may branch out into food processing and manufacturing, into the transport of goods not only by land but by sea and air, are active in housing, fishery and other areas and may even take advantage of the communications revolution and computerization as coops gain maturity in their management approaches.

With laws on their side, the practically autonomous from government interference, cooperatives in the very near future are expected to grow at an accelerated pace.

Feed miller union is in dire need of corn

A Cooperative in Manila engaged in feed mill production has asked the Cooperative Union of the Philippines (CUP) if the national union could help the coop buy yellow corn from any affiliate from the provinces.

Oscar J. Tayko, chairman of the CAFFMACO, informed CUP President Jaime Asuncion that his coop needs a tremendous amount of yellow corn

for their feedmill. He pointed out that under the movement's inter-coop trade, primary coops may do business with each other minus the middlemen.

Primary coops especially in corn producing provinces in Mindanao were sounded off by Asuncion to get in touch with the CUP for trading arrangement with Tayko's coop.

BIG BUSINESS

(from page 3)

Ayala Group of Companies. The store of this cooperative is located behind the Insular Life Insurance Company building on Ayala Avenue in Makati.

Other consumer cooperatives were formed by employees of Centro Escolar University and the Far Eastern University.

Coops hasten land reform

(from page 1)

As an offshoot, the group decided to adopt the People's Agrarian Reform Code (PARCODE) drafted by a multisectoral conference and the Congress for the People's Agrarian Reform (CPAR) held last June, 1988 in Quezon City.

The participants also agreed to form peasant groups to sell the idea that cooperativism is the best way to unite themselves to further strengthen their bargaining power. They said they will also launch an extensive information and education drive on the People's Agrarian Reform Code to correct the flaws of CARP. (Carmona)

Educator with ICA writes 30

The former education officer for women and youth of the International Cooperative Alliance in New Delhi, India passed away last March 24.

Mrs. Margaret D'Cruz joined the ICA regional office in 1960 and retired in February 1987 when she reached the age of 60.

Alliance assigns economist to CUP

The International Cooperative Alliance recently appointed a doctor in economics as consultant to work with the Cooperative Union of the Philippines.

Appointed was Alfred Bretschneider, a doctorate graduate of the Stockholm School of Economics. He earlier finished his masteral degrees in business administration at the same school and at the University of California.

Mr. Bretschneider has been tapped to assist the CUP management in upgrading efficiency of member coops, conduct corporate studies for the movement, initiate the standardization of coop accounting system and also help look for funds for the coop movement.

Gov't axes dormant coops

(from page 1)

At present, the Action Team, composed of Senior Officials of RCDAO XII, are working to identify the remaining inactive cooperatives and continue the process of involuntary dissolution pursuant to the rules and regulations of the government.

The dissolution of inactive cooperatives is the first step being undertaken towards the liquidation of cooperative and eventual cancellation of the registration of cooperative. It refers to the termination of the cooperatives right

to continue doing business.

However, a dissolved cooperative remains a juridical person for the purpose other than doing business for which it was established. Until after its registration has been cancelled by RCDAO or the bureau of Agricultural Cooperatives Development, the dissolved cooperative can still enforce its claim or settle those filed against it.

It is also bound to wind up its affairs within a year.

NEWS FROM ALL OVER

ECIJA BOOSTS COOPS

The provincial government of Nueva Ecija recently created a provincial council for cooperatives, development, blazing a new trail in local government support to the movement.

This was reported to the CUP Gazette by Nueva Ecija provincial board member Isidro R. Villaflor who was one of the proponents of the council.

He noted that the cooperative development council is tasked with helping promote the viability and growth of cooperatives as instruments of social justice and further economic development in that province.

Nueva Ecija is home to not a few of the country's viable cooperatives.

KOOPERATIBA SA BASURA

The Cooperative Union of the Philippines this month proposed to the Metro-Manila Commission the tapping of the union's expertise in the organization of cooperatives in the recovery of garbage from different areas in the metropolis.

CUP's recommendation was made following a visit by three experts from cooperatives from Shanghai, China engaged in the recovery of reusable materials out of garbage.

It was estimated that the cost of organizing scavengers into primary coops at barangay levels will be a small sum of P25,000. This already include seed capital for 50 coop members.

BACK TO OLD FLAME

Enamored with the cooperative movement during his stint as BACOD director, Benedicto A. Allanigue has offered his services without pay as consultant of the CUP.

Director Allanigue has submitted a concept paper on how the agricultural cooperative system be strengthened by the private cooperative movement.

In joining the CUP, the former government executive involved in coop development will be bringing along valuable lessons out of debacles on cooperative development in the past.

RICE SHORTAGE

Howls of protest reverberated in the Manila media over an announcement that the Philippines faces an impending shortage in the supply of rice and the sudden increase in prices of the staple food as its result.

With the exception of congressman Ramon Mitra, Jr., everyone gunned for importation as a solution to the problem despite common knowledge that Filipino farmers have started harvesting their dry season crops.

The controversy and how it was resolved in favor of rice importation, has shown the government and media's bias against the country's farmers.

Training fund collection increases

The Cooperative Union of the Philippines made a record collection of P3.5 million in 1988, a 51 percent increase compared to the year before.

This was reported by CUP Secretary General Arcadio Lozadad in CUP's annual report. A total of 368 cooperatives in the whole country contributed to the Cooperative Education and Training Fund.

He attributed the increase to active involvement of regional cooperative unions in 13 regions. The regional cooperative unions retained 60 percent of their collections for their own educational and training programs. The remaining 30 percent was used for CUP's operations while 10 percent was deposited as reserve trust fund.

Out of CUP's share, the umbrella organization used it in support of lobbying for the passage of two bills, the creation of a Cooperative Development Authority and the omnibus cooperatives code of the Philippines.

Other programs and projects during the year included active participation in the campaign for the organization of an apex cooperative finance intermediary, the holding of 21 seminars, conferences and workshops in different parts of the country and participation in 12 international conferences.

The CUP likewise published six issues of the CUP Gazette and reproduced cooperative educational and informational materials.

It was also engaged in the development of cooperative businesses like the promotion of inter-cooperative trade, strengthening of consumers coops and agricultural cooperatives.

CUP reports 1st quarter activities

February 16 to April 15, 1989

I. THE 5% CETF

The 5% CETF remittance made by 64 cooperatives throughout the country through the Regional Cooperative Unions and National Federations for the period January 1 to April 15, 1989 stands at P6732,426.44 or 16.27% of the P4.5 million projected receipts, average of P209,264.57 per month. Of this amount P349,074.16 or 49% was collected by the RCUs and P332,571.69 or 45.4% by the National Federations.

The first 3 highest campaigner and remittance of 5% CETF among the Regional Unions are the following:

1. Cooperative Union of Southern Tagalog, Inc. (CUSTI) P78,286.38 or 11%
2. Northern Mindanao Union of Cooperatives (RCUX) 59,640.60 or 8.14%
3. Region I Coop. Unions (RCU I) 44,033.30 or 6.01%

Among the National Federations on the other hand, the Philippine Federation of Credit Cooperatives, Inc. (PFCCI) is the highest campaigner/remitters of CETF 5% amounting to P241,833.39 or 33% of the total gross remittances, followed by the Philippine Federation of Women for Coopera-

tives (PFWCI).

CUP Disbursement for the same period stands at P703,282.56 of 96% of the gross receipts. Of this amount, P241,066.80 or 33% represents 60%, RCUs/NFs share; P44,027.67 or 6% for CUP operations. (Enclosed is the statistics on CETF and CUP Receipts and Disbursements.

II. POLICY INITIATIVES

A. Cooperative Bills

A Press Conference with the theme: Cooperatives - The Third Sector was held at the VIP Room of the National Press Club on March 15, 1989. Principal panel speakers during this Press-Con were Congressmen Pedro Romualdo and Ciriaco Alfelor, former Sen. Manuel P. Manahan

and CUP Sec. Gen. Arcadio Lozada. Primary topic of discussion was on the coop bills passed on the Third and Final Reading in the House of Representatives. This Press-Con was sponsored by the CFPI in collaboration with the SCCP and CUP.

Scheduled on second reading for S.B. 485 (CDA) has been temporarily set on the second week of May, 1989 according to sources from Sen. Alvarez' Office. Likewise, a Senators' Meeting was convened on April 17, 1989 and each Senator was asked to name his pet bull. Senator Alvarez' pet bill is the CDA and he pledged the passage of S.B. 485 by June 2, 1989. Senator Agapito "Butz" Aquino will soon schedule on second reading S.B. 513 (Omnibus Coop Code).

Coop leaders met with Senate President Jovito Salonga last Feb. 1989 at the Army and navy Club during a luncheon Conference arranged by Mr. Santiago Manongdo of the PCSI. CUP Secretary General Lozada who spoke on behalf of the coop movement stressed the urgency of the SB Nos. 485 and 513 to which Sen. Pres. Salonga promised to schedule as soon as the autonomy bills are disposed of.

(to be continued)

Bulacan: province to watch

The province to watch as far as cooperative propagation is concerned is Bulacan, the province of the "Boy General" of the Philippine Revolution against Spain.

In just about two years, according to Bureau of Agricultural Co-operatives Development Director Clemente E. Terso, Jr., the number of co-operatives in Bulacan has increased to about six-folds.

From 51 registered co-operatives in 1986, the figure has jumped to 365. The total number represents the 365 barangays that have already organized their own co-operative at the rate of one co-op per barangay.

"And because there are only 416 barangays in the entire province of Bulacan," Terso added, "Governor Roberto Pagdanganan has only to organize 51 co-operatives more in order to cover the province with co-ops."

Pagdanganan credits BACOD's Marieta Jose for assisting him in his co-op propagation work in Bulacan.

ERRATUM

Dr. Leondro R. Rola is the vice president of the Cooperative Union of the Philippines and Director of the Agricultural Cooperatives and Credit Institute, not head of the DAR's coop development program as published in the Jan-February issue of the Gazette. Our apologies.

Tie-up hammered on coop housing

The government and the private cooperative movement recently entered into a tie-up to speed up the organization of housing cooperatives and accelerate the building of more houses for the poor.

The agreement was signed by National Housing Authority manager Raymundo R. Dizon, Jr., CUP President Jaime P. Asuncion, Cooperative Foundation Philippines chairman Manuel P. Manahan and Bureau of Agricultural Cooperatives Development Director Clemente E. Terso, Jr.

They have agreed to pool their efforts and resources in the organization of housing cooperatives as a means of pushing through the government's social housing program.

To pursue the tie-up, they have agreed to form a secretariat to hold office at the CUP building at A. Roces Avenue corner Mother Ignacia in Quezon City.

Housing coops are yet at an infancy in the Philippines with only a handful in operation in the country.

Primer on multi-purpose cooperatives produced

The Bureau of Agricultural Cooperatives Development (BACOD) is coming out with a new primer on multi-purpose co-operative, which will be used in converting weak types of co-op into viable organizations through the injection of more business activities that would eventually make them useful to members.

BACOD Director Clemente Terso, Jr. said the new primer was formulated and hammered out by Max Leonardo, BACOD information and publications chief and CUP Gazette editorial consultant.

One of the features of the multi-purpose co-operative, according to BACOD Director Terso, has something to do with enabling the organization to engage in credit extension, bulk procurement of supplies, raw materials and other inputs for production, marketing, service, and bulk purchases of consumer goods for members.

Bulk procurement, Terso said, will

enable co-operatives to get volume discounts from dealers, reducing the cost of consumer goods and inputs in the process.

He likewise said that in terms of functions, the multi-purpose coop will be five types of co-operative rolled into one and due to this, it will fill the needs of co-op members.

The Department of Agrarian Reform (DAR) will also use the primer in its effort to unify CARP beneficiaries.

P3M released to cooperative banks in Mindanao

The Regional Cooperatives Development Assistance Office XII released recently the amount of 3 million to the Cooperative Rural Banks in the Region.

This was learned from RCDAO Executive Director Norberto S. Ferrer, who made an announcement on the cash infusion to Cooperative Rural Banks of Cotabato and Cooperative Rural Bank of Lanao Norte.

These two Cooperative Rural Banks received P1.5 Million each to carry their role as participating banks in the conduit banking loaning scheme under the Cooperatives Rehabilitation and Development Loan Fund of RCDAO XII.

With this new development, all active and qualified cooperatives may inquire from these two cooperative rural banks on the requirements needed.

However, evaluation whether the concerned cooperative is qualified or not for loaning assistance will be done by RCDAO XII while project feasibility/loan approval will be the role of the participating banks. Gemma T. Cruz

Cooperative Union of the Philippines
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stamp

THE SINGAPORE CO-OPERATIVE MOVEMENT

BRIEF HISTORY OF THE MOVEMENT

Co-operation was introduced in Singapore as early as 1924 when the Co-operative Societies Ordinance for the Straits Settlements was enacted. It was introduced at a time when money-lending was a roaring business. Wage-earners in the middle and lower income groups at that time could hardly make ends meet because of poor wages and the high cost of living. These workers had no one else to turn to except the unscrupulous money-lenders who charged exorbitant rates of interest. The Government introduced the co-operative scheme not only to provide facilities for borrowing but at the same time to provide for regular savings.

Between 1925 and 1940, more and more people began to see the usefulness of the co-operative concept of self-help and mutual assistance. Altogether ~~43~~ thrift and loan societies were formed to cater to the needs of civil servants, teachers, custom officers as well as the urban workers in many private companies. These societies managed to release their members from the clutches of the money-lenders by the granting of low-interest loans to help them pay off their debts. An important development during this period was the formation of a co-operative union in 1933 to foster inter-co-operative relations.

The war period of 1942 to 1945 brought all co-operative societies to a standstill. Nevertheless, rehabilitation in the postwar years was rapid. High inflation after the war brought undue hardships to the urban workers. On 23 August 1946, the first consumer co-operative was formed to fight inflation. A housing co-operative made its appearance in 1948.

The fifties saw further development in the co-operative movement. Co-operatives with marketing, transport, land purchase and banking activities began to appear. By 1960, there were 104 societies with 37,844 members and a paid-up capital of \$13.2 million.

The number of societies began to decline in the sixties. In 1968, a producer co-operative was formed. At the end of 1970, there were only 90 societies with 47,956 members and a paid-up capital of \$27.1 million.

THE TURNING POINT IN CO-OPERATIVE DEVELOPMENT IN SINGAPORE

The most significant development of the co-operative movement in Singapore since 1970 was the launching of co-operative ventures by the Singapore National Trades Union Congress (NTUC) and its affiliated unions. These ventures were meant to provide for more economic and social benefits to the workers by having a definite stake in the economy of Singapore. The Modernisation Seminar organised by the NTUC in November 1969 provided the blueprint for the formation of co-operatives with the backing of the labour movement. Within a span of nine years (1970-1979), 13 co-operatives were established by the NTUC and its affiliated unions. This resulted in a tremendous upsurge in membership and created a significant impact on the daily lives of the workers and population at large.

THE MOVEMENT TODAY

Today there are 59 registered co-operative societies in Singapore with a total personal membership of 372,408 and a paid-up capital of over \$111.4 million. They can be classified as follows:

Thrift and Credit ..	28
Multi-Purpose ..	15
Consumer ..	4
Housing ..	1
Insurance ..	1
Transport ..	1
Medical ..	1
Service ..	5
School Co-operative ..	1
Investment ..	1
Apex ..	1

The current business activities of these Co-operatives, with total assets of over \$686 million (as at 31.12.88) range from thrift and loan, transport, life and general insurance, supermarkets, canteens, security service, dental surgery, printing, confectionery, home appliances, to computer education and travel services.

CO-OPERATIVE LEGISLATION

The Co-operative Societies Act, (Cap 62) came into operation on 1 January 1980. It repealed the previous restrictive Act which was enacted in 1924. Besides providing better control of co-operative societies, the new Act also encourages the orderly development of the co-operative movement in Singapore by, among others, the establishment of a Central Co-operative Fund and an Apex Organisation for co-operatives.

THE CENTRAL CO-OPERATIVE FUND

The Central Co-operative Fund (CCF) was established as a Trust Fund pursuant to Section 71 of the Co-operative Societies Act, (Cap 62). The Fund is under the control of the Minister for Community Development with a Committee to advise him on the administration of the Fund.

The CCF, to which every co-operative society is required to contribute 5% of its annual net surplus, is intended to further co-operative education, training, research and audit and for the general development of the co-operative movement in Singapore.

THE APEX ORGANISATION

The Singapore National Co-operative Federation Ltd (SNCF) was registered on 18 September 1980 as the apex organisation for all types of co-operatives in Singapore, pursuant to Section 13(2) of the Co-operative Societies Act, (Cap 62). The by-laws of the SNCF outline the following objectives:

- (a) To propagate the principles and practice of co-operation;
- (b) To promote co-operative education carry out research and collect and disseminate information connected with and for the purpose of co-operative development;
- (c) To provide management, accounting, legal, educational and other advisory services for affiliates; and

- (d) To organise and represent the co-operative movement in Singapore.

The current membership of SNCF stands at 370,535 representing 52 co-operative societies. This figure represents 99.5% of the total number of members of co-operative societies in Singapore.

The SNCF co-ordinates and facilitates the activities and growth of the co-operatives in Singapore. It does so by organising and supervising effective services for co-operative education and training, management services, accounting, audit and other needs. It also organises social, cultural and recreational activities for its members. The SNCF is financed by the Central Co-operative Fund.

Since its inception, the SNCF has succeeded in providing educational and training, accounting, auditing and other services to its affiliates. Course and seminars on important co-operative topics such as principles, philosophy and practice of co-operation; co-operative management; financial analysis; investment management and problem-solving and decision-making are being conducted regularly by local and foreign experts for the benefit of the members. Seminars and dinner talks with international participation are also held.

The SNCF has assisted its affiliates in the simplification of their accounting system to save costs, drawing up of balance sheets and introduction of approved methods of accounting to facilitate checking and to discourage mismanagement of funds. In this regard, it has produced a booklet, the General Financial Manual, to guide thrift and loan co-operatives in the proper financial systems and procedures to be adopted.

The Registrar of Co-operative Societies has partially transferred the external audit function to SNCF with effect from 1 April 1985. At present SNCF is providing external audit services to 28 of its affiliates.

REGISTRY OF CO-OPERATIVE SOCIETIES

The Registry of Co-operative Societies is a department of the Ministry of Community Development. It administers the Co-operative Societies Act, (Cap 62) and the Co-operative Societies Rules, 1979, which provides extensive framework for the registration and control of co-operative societies in Singapore.

The Registry guides and supervises the co-operative movement. It provides co-operative societies with a wide range of services. The Registry gives advice on matters relating to the Act, questions of procedures and registration, drafting and preparation of by-laws or rules, procedure relating to transfer of engagements and amalgamation and formation of societies besides liquidating non-viable co-operatives. It administers the Central Co-operative Fund and the Co-operative Societies Liquidation Account. Information on co-operative principles and practices and management are provided. The Registry also compiles statistics on co-operatives and publishes information pamphlets on co-operative subjects.

In its supervisory role, the Registry inspects the books of co-operatives, carries out examinations of the books of indebted societies and conducts inquiries into the construction, working and financial conditions of co-operatives. It also gives advice on the management of a co-operative society to assist its officers and members to comply with the Act and to achieve the objects and purposes on a co-operative basis. Besides settling disputes by mediation or arbitration, the Registry also monitors the balance sheets of co-operatives to detect adverse trends and practices and to give timely cautions.

RECENT TRENDS AND DEVELOPMENTS

The Singapore Co-operative Movement has, over the recent years, focused on special purpose projects to cater to the changing needs of the socio-economic environment. Since the inception of consumer, transport and insurance co-ops by the National Trades Union Congress co-operatives, recent major developments have seen the introduction of a loan default insurance scheme, first proposed by Mr Teo Chong Tee, Parliamentary Secretary (Environment and Social Affairs) in 1984; and the call for the formation of a national league for Credit Co-ops by Mr Wong Kan Seng, then Minister of State for Community Development and Communication and Information in 1986.

In parallel to these developments were the formation in 1984 of a specialised co-operative venture to provide a wide range of security and related services, the Premier Security Co-operative Society Ltd, and in 1988 the formation of a computer training school, the Premier Computer Co-operative Ltd, focussing on computer education for co-operative members and the general public. A more recent development was the registration of a travel service co-operative to cater to the travel needs of members.

Further SNCF development work on the formation of the League of Credit Co-ops in Singapore received support through the election of a 13-man protem committee to oversee its formation.

In addition, new areas for study into the formation of special focus co-operatives include senior citizens' homes and related services, child-care centres, tutorial groups etc. These are natural developmental projects catering to the fast changing urbanised society in Singapore.

THE FUTURE

Co-operatives have an important role to play in the economic well being of their members and the socio-economic development of the country. The new Co-operative Societies Act, a departure from the restrictive old Act, provides a sound legal basis for the development of co-operatives in Singapore. The Apex organisation (SNCF) will co-ordinate the activities of co-operatives by providing centralised services to ensure the positive growth and widening of the area of activities. The long-term results will be to foster the spirit of self-help and to create group consciousness and social cohesion. The SNCF will continue to play an active role in promoting co-operative development in the years ahead and also in creating greater awareness among the general public of the services provided by co-operatives to members in particular and to fellow citizens in general.

9 May 89 .

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31st Meeting of the ICA Regional Council for Asia

**RECENT CHANGES, TRENDS AND DEVELOPMENT OF
COOPERATIVE MOVEMENT IN THAILAND**

**By : Mr. Narong Marukatut
Director
Co-operative League of Thailand**

Recent Changes, Trends and Development
of Cooperative Movement in Thailand

1. General

- A. Country : Thailand
- B. Name of Member Organization : Cooperative League of
Thailand
- C. Background information :

The history of the Thai Cooperative can be traced back to the year 1916 when the first village cooperative, the Wat Chan Cooperative Unlimited Liability of the Raiffeisen model, was initiated by the government among the poor farmers in Tambon Wat Chan, Amphoe Muang, Phitsanulok. This first cooperative was registered under the Civil Association Act (Amendment) of 1916 because there was no cooperative act in Thailand by that time. Success in operation of this cooperative in clearing old debts of members had brought about registration of many new cooperatives of this type in other areas within a few years later.

Because of widespread and rapid increase in number of new cooperatives registered in 1928, the Cooperative Societies Act of 1928 was enacted to pave the way for the registration of other types of cooperatives. In 1937, the first consumer cooperative was organised in Amphoe Sena, Ayutthaya, to help the rural people in their daily purchase of consumer goods. This cooperative was the origin of other consumer cooperatives organised to solve the problem of consumer goods shortage both in rural and urban areas after the World War II.

In 1938, Land Settlement Cooperatives were initiated in the Central Plain to help landless and tenant farmers to become landowners. This type of cooperative was later developed into three models: Agricultural land settlement cooperative; land hire-purchase cooperative and land tenant cooperative.

The first thrift and credit cooperative was set up among the government officials within the Ministry of Cooperatives in 1949 with the main objectives to promote saving and to provide the loans to members for clearing their old debts as well as meeting necessary expenses in daily life.

In 1954, the first Fishery Cooperative was established among the fishermen with the objectives of improving productivity and marketing of products. This type of cooperative was later accepted by small fishermen who do inland fishing as well as those who deal with marine fishing.

Cooperative method has been widely known and accepted by general public after the Cooperative Societies Act of 1928 was enacted. Many cooperatives of various types were organised among various groups of people since they realised benefits gained through self-help and mutual help methods along with the cooperative principle. To support the cooperative activities, in 1968 the new Cooperative Societies Act of 1968 was enacted. This Act not only allows people to organise themselves into the type of cooperative according to their needs, but also provides the means for small cooperatives to amalgamate into a bigger society to increase its efficiency in operation. Since 1977, many new cooperatives were established among people who engaged in

handicraft business such as umbrella making and cutlery as well as users of water supply, taxi drivers and those who were in need of housing. These cooperative were later classified as Services Cooperatives.

Seventy-three years have elapsed since the beginning of the first small cooperative village at Amphoe Wat Chan, Phitsanulok, with only 16 members. At present, there are more than 2,800 cooperatives organised through out the country. Statistics of the Thai Cooperatives as of January 1, 1989 can be summarised as follows:

Type of Cooperatives	No. of Societies	Membership
Agricultural	1,252	895,385
Land settlement	95	87,494
Fishery	22	4,322
Thrift and Credit	784	1,114,074
Consumers	389	688,932
Services	275	90,676
Total	2,817	2,880,883

In addition, there are 10 National Cooperative Federation with membership of 986 cooperative societies and 73 Provincial Cooperative Federation with total membership of 965 cooperative societies.

2. STATE AND COOPERATIVE DEVELOPMENT

According to the sixth National Economic and Social Development Plan (1987 - 1991), government is aiming at the improving of rural poverty and income generating of the rural poor. The government by the

cooperative Promotion Department has set policies in cooperative development to be implemented during the course of the sixth National Plan as follow:

2.1 To expand cooperative activities by promoting the setting up of new cooperative and increasing new members of existing cooperatives. The emphasis will be put on the quality of the new members. They must have strong intention for selfhelp according to cooperative principles and methods. The new cooperative will be set up according to the need of the people in the community. Besides, the setting up of single purpose cooperative such as water users, cooperative and rural electric generating cooperative will be promoted throughout the country.

2.2 To promote and develop the existing cooperative to be financially strong in order to render better services to the cooperative members. Emphasis will be put on the integrated of cooperative business and close collaboration within the movement.

2.3 To promote and assist the cooperative movement in Thailand to develop and strengthen their National Cooperative Organizations to be more effective in the field of cooperative education and training and in the field of business operation i.e. production, marketing, transportation, credit and banking etc. in order to enable the national cooperative organizations to be able to take over the responsibility from the government.

2.4 To promote and improve the production and marketing system of the cooperatives to be more efficient and cope with the

market demand through the introduction of appropriate technologies to reduce the production costs and through closer collaboration with other governmental organizations and other agencies to give more support to the cooperatives in the field of technical assistance credit and other infrastructure.

2.5 To promote the farmer members to have the right on their cultivated land in the form of land settlement cooperative.

2.6 To promote the role of cooperatives in human, family, community and rural development through the member education programmes in order to motivate the members and their families members to take more participation in cooperative activities.

2.7 To promote cooperatives as a mean for occupation development of the members, women and youth groups in cooperatives.

3. NATIONAL COOPERATIVE ORGANIZATIONS

One of the National Cooperative organizations is the Cooperative League of Thailand (CLT) which is a non-governmental organization. It is a nation-wide confederation of cooperative organizations of all types. Founded under the Cooperative Societies Act. B.E. 2511 (1968), it now has affiliates of 2,817 cooperative societies, at all levels, serving over 2.8 million members at the primary level. It is the only national cooperative organization dedicated entirely and exclusively to the promotion of cooperative throughout the country.

The main tasks of the CLT are as follows:

1. To enhance the progress and stability of its member societies through training programmes and educational activities.
2. To act as the representative of the cooperative movement and as a link between the movement and the government as well as national and international organizations with similar objectives and activities.
3. To organize and conduct courses, seminars, conferences, surveys and research for purposes of cooperative education and dissemination.
4. To bring out publications on cooperative and allied subjects.

CLT has achieved certain amount of its objectives, for instance in the field of coordinating activities and cooperation among its member cooperatives, CLT annual programs of education and training for members of the board of directors, managers, and staff of cooperatives have brought about more understanding, appreciation and efficiency on the part of those persons concerned.

However, CLT still has many shortcomings, especially financial weakness due to small annual subscription fee from member cooperatives as prescribed by the Thai Cooperative Act 1968 that 5% but not exceeding ten thousand Baht of the societies net profit to be subscribed to the CLT activities.

Other cooperative organizations are the Agricultural Cooperative Federation of Thailand Ltd., The Thrift and Credit Cooperative Federation of Thailand Ltd., and the Consumer Cooperative Federation of Thailand Ltd. These national cooperative organizations are functioning mainly on business activities for the benefit of their member cooperatives respectively.

4. COOPERATIVE ACTIVITIES

The cooperatives in Thailand are vertically organized at three levels i.e. primary societies at the local level, secondary societies or federation at the provincial level and the apex societies or national federation at the national level.

As at the end of fiscal year 1987, the business activities of cooperatives in Thailand can be summarized as follows:

4.1 Agricultural Cooperatives had carried out the following following business activities :

1. Received Deposits from the members amounted to 1,046.29 million ฿ out of which 693.43 million ฿ was saving Deposit and 352.86 million ฿ was fixed deposit.

2. Extended Credit to the members amounted to 3,956.58 .58 million ฿ out of which 2,628.37 million ฿ was Short - term Loan, 1,326.61 million ฿ was medium-term Loan and 1.60 million ฿ was Long - term Loan.

3. Supplied agricultural inputs to the members such as fertilizer, insecticide, seeds, rice and feed stuff amounted to 793.32 million ฿.

4. Collected the members produces for marketing such as paddy, maize, beans, sugan cane, coffee, cotton, asparagus, tabacco etc. amounted to 1,874.12 million ₪

5. Provided other services such as printing press and storage amounted to 30.76 million ₪

4.2 Land Settlement Cooperatives: had carried out the following business activities :

1. Received Deposit from the members amounted to 52.37 million ₪ out of which 43.27 million ₪ was saving deposit and 9.10 million ₪ was fixed deposit.

2. Extended credit to the members amounted to 141.48 million ₪ out of which 107.84 million ₪ was short - term Loan, 20.34 million ₪ was medium-term Loan and 13.30 million ₪ was Long - term Loan.

3. Supplied agricultural inputs to the members such as fertilizer, insecticize, seeds, rice and others amounted to 68.04 million ₪

4. Collected the members produces for marketing such as paddy, maize, beans, sugarcane, oil palm and others amounted to 133.97 ₪

5. Provided agricultural extension services to the members such as Land preparation, water pumping, demonstration field and others amounted to 11.52 million ₪

4.3 Fishery Cooperatives: had carried out the following business activities :

1. Received deposit from the members amounted to 0.004 million ₪ out of which 0.001 million ₪ was saving deposit and 0.003 million ₪ was fixed deposit.

2. Extended credit to the members amounted to 3.02 million ₪ out of which 2.24 million ₪ was short term Loan and 0.78 million ₪ was medium term Loan.

3. Supplied necessary commodities to the members such as petrol, feed stuff, rice and other equipment, amounted to 211.99 ₪

4. Collected members produces for marketing amounted to 0.94 million ₪

4.4 Thrift and credit cooperatives had carried out the following business activities :

1. Received deposit from the members amounted to 4,091.03 million ₪ out of which 2,248.90 million ₪ was saving deposit and 1,842.13 million ₪ was fixed deposit.

2. Extended Loan to the members amounted to 20,446.41 million ₪ out of which 4,198.63 million ₪ was emergency Loan, 15,179.31 million ₪ was ordinary Loan, 1,068.47 million ₪ was special Loan

3. Extended Loan to other cooperatives amounted to 171.42 million ₪

4.5 Consumer Cooperatives had provided consumer goods for sale to the members and general public such as cigarettes, rice, petrol, general merchandises and others. The total sales was 2,356.33 million ₪. The total expenditures was 2,285.34 million ₪. The total net profit was 70.99 million ₪.

4.6 Services Cooperatives had carried out the following

business activities to the members :

1. Extended credit to the members amounted to 9.79 million ฿
2. Supplied necessary commodities to the members amounted to 8.60 million ฿
3. Collected the members' produces such as knives and other products amounted to 2.90 million ฿
4. Provided services to the members amounted to 97.61 million ฿.

5. Cooperative Education and Training

Since the past decade, it has been recognized that low level of education of cooperative members and inadequate training of cooperative officers were the factors effected to slow progress of cooperative movement in Thailand. Therefore, the Cooperative League of Thailand which is the apex body of the movement and the government through the Cooperative Promotion Department closely coordinate and collaborate in conducting severel cooperative education and training programmes.

In fiscal year 1988, the CLT has conducted 30 cooperative education programmes for board members, members and employees of all type of cooperatives in cluding the students and general public. The total duration of the education programmes was 222 days and a number of 3,121 persons were trained. NACTI conducted 3 Bloc Training programmes for 357 managers and staff of agricultural cooperatives, and 5 Provincial Seminars for 121 staff of agricultural cooperatives. The CPD conducted cooperative education programmes for 77,334 members, board-members of cooperative and government officials.

6. Cooperative Staff Development

Since the cooperatives in Thailand are facing with the problems of insufficient number of efficient staff due to their limited budget which caused high turn over rate of the cooperative staff, the CLT has to increase a number of training programmes to cater for the needs of its member cooperatives. The curriculum of the training programmes have been designed to meet the need of each type of cooperative in order to enable the trainees to be able to perform their job after the training. In 1988, the CLT has trained 3,121 trainees out of which 665 are staff of cooperatives.

Apart from the technical know-how through the training programme, the CLT also launched a programme for selection of outstanding agricultural cooperative managers in order to boost the moral of the staff of the cooperatives. The selected managers have been awarded with plaques and certificates. Their performance have been widely publicized.

7. Women and Youth and Cooperatives

Realizing the important roles and influences of women and youth in the well being of the families which compose the base of cooperative, the initiation has been taken by the Cooperative Promotion Department to promote the involvement of women and youth to participate in cooperative activities. The CPD has set a policy for the development of women and youth in agricultural cooperatives in order to educate them to work together on mutual basis according to cooperative principles and to train them on various income generating activities.

The Cooperative League of Thailand has also taken a leading role in enhancing women and youth involvement in cooperative activities. In 1988, CLT has supported 3 projects on income generating activities for women of agricultural cooperatives. There were 300 women have been trained under these project. The CLT also conducted 4 training programmes 200 youth who are the children of the member of agricultural cooperative one of the training programme has been conducted in collaboration with the National Youth Bureau of the office of the Prime Minister.

A special programme for enhancing youth in cooperative activities has been organized by CLT through a "Drawing Contest Programme" in order to disseminate cooperative idea to school children. The winners were awarded with prizes and certificate by the Deputy Minister for Agriculture and Cooperatives at the opening ceremony of the National Cooperative Day.

8. Inter Cooperative Trade

Marketing practices of cooperatives have been promoted to be more cooperative system with the linkage between business activities, for instance the Cooperative Production Credit and Marketing Linkage Project which has strengthened the vertical business integration or the federal system of cooperatives.

The horizontal relationship among the cooperatives of the same type and different types are increasingly practised. The thrift and credit cooperatives have given loans to other needy thrift and

credit cooperatives while some agricultural cooperatives sell their milled rice to consumers cooperatives.

9. International Cooperative Trade

The Cooperative League of Thailand, an apex organization representing the cooperatives in the country nationally and internationally has made an attempt to promote the international cooperative trade. The CLT has seconded a staff to work in the initial phase of the COOPTRADE International (Thailand) office since January 1989 according to the request from the ICA COOPTRADE project.

10. Cooperative Congress/Conventions/Conference/Seminars

The CLT has organized annually the celebration of the National Cooperative Day on 26 February in order to commemorate the first cooperative established in Thailand on 26 February 1916. The celebration in 1989 was the 73 anniversary of the Thai cooperative movement. It was held from 26 February - 2 March 1989 at the training centre of the CLT in Bangkok. Major activities for the event were included the religious ceremony, low priced goods from cooperatives all over the country, Exhibition on cooperative development and High school quiz show. Besides, an academic seminar on the topic "Cooperative Adjustment According to Economic Changes in the future" was organized on 27 February 1989. There were 261 representatives from cooperatives all over the country attended the seminar.

11. New and Specialized Cooperative Development Activities

The latest development in the cooperative movement in Thailand is the merging of the National Agricultural Cooperative Training Institute (NACTI) as an integral part of CLT. This development resulted to the increasing number of the CLT staff from 66 to 134. The reorganization of the CLT is under reviewed. However, it is anticipated that the training activities for all types of cooperative in the country will be carried out more effectively under the CLT.

12. Technical and Financial Assistance

1. A study on evolving Efficiency Norms for Consumer Cooperative in Thailand has been carried out by ICA Consultant in 1988. The report of the study was submitted to representatives of the concerned organizations and it is recommended that the efficiency norms evolved should be introduced to the consumer cooperative throughout the country.

2. A National seminar for University Cooperative in Thailand has been organized by the CLT in January 1989 with the technical assistance^{of} a team of resource persons from the National Federation of University Cooperative Association, Japan (NFUCA) 32 participants and observers from university cooperatives attended the seminar.

3. A National Conference on "Perspective Planning for Agricultural Cooperatives" have been organized by CLT during 22 - 25 August 1988 to consider the Perspective Planning Report carried out by the ICA Study Mission i.e. Mr. J.M. Rana and Mr. Sten Dahl. There were 60 participants attended the conference. The conference came up

with a perspective Plan for the development agricultural cooperatives in the country for the period 1988 - 2003. The Plan has been submitted and approved by the board of directors of CLT. The Plan will be implemented in order of priority.

4. A follow-up of the training programme on Project Identification and Planning 1987 has been conducted by CLT. In 1988, the follow-up mission visited the managers who attended 1987 training programme to supervise them on the preparation of the project. So far, the participants have already submitted projects to CLT and some of the projects have already implemented.

5. A request for financial assistance has been made to ICA ROA to implement the Pilot project on "the establishment of CLT Accounting Services for Primary Agricultural Cooperatives in Thailand" based on the consultancy report of the ICA Consultant in 1987. It is expected that the ICA ROA would be able to secure financial assistance from donor agencies for the implementation of this project.

6. A feasibility study on the Cooperative Finance have been carried out in Thailand by Mr. M.M. Vyas, ICA Consultant in March 1989 in order to study existing demand and supply of financial services to the cooperative movement in Thailand and to recommend a proposal for a cooperative financing system in Thailand.



ICA COOPTRADE project
INTERNATIONAL CO-OPERATIVE ALLIANCE

ICA COOPTRADE PROJECT
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ICA COOPTRADE PROJECT
TRADE ADVISER
REPORT TO SCTI MEETING, SHANGHAI, CHINA
MARCH, 1989

The Cooptrade Project has now completed its sixth year of operations (December 31st, 1988). During the past project year the following activities were carried out:

- 1) *Two SCTI meetings were held during the year. At the first meeting in Chiangmai, Thailand, ten countries were represented by fifteen participants. The second meeting now planned for Shanghai, China, is likely to see eleven countries with over twenty participants in attendance.*

The gradual expansion of the membership and activity of the SCTI over the past year augers well for the future of cooperative trade and industries development in the region.

Recent reports from Burma and Bangladesh indicate considerable interest in the SCTI and the ICA Cooptrade Project but lack of funds has prevented their participation in this meeting.

- 2) *The trade adviser undertook 25 Country missions during the year 1988 covering seventeen countries on four continents. Country missions for the project year will reach 25 (missions appended). Eight countries including China, Japan, South Korea, Thailand, Indonesia, India, Philippines and Australia have been visited since the last committee meeting in October 1988.*

A planned mission to Burma had to be aborted due to entry visa delays.

- 3) *The project has continued to expand its sales generation largely through jumbo shrimp projects contracted between indigenous producers in Indonesia and Thailand with Cooptrade Japan. Sales of these products are estimated to be over five million dollars (U.S.) annually. Total sales activity related to the project for the project yearend 1989 is expected to reach approximately 20 million U.S.D.*

- 4) *The concept of "affiliated offices", first introduced in 1987, has been pursued in a variety of ways by member countries over the past twelve to eighteen months. The Co-operative League of Thailand has seconded staff to pursue trade and development activity in conjunction with a commercially chartered Cooptrade International (Thailand) Office.*

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In Malaysia, two former investment co-operatives have discussed proposals for an organizational merger to provide a broad membership and financial base for a Cooptrade "Affiliate". This operation expects to be commercially chartered within a few months under the name Coop-Exim.

Cooptrade Australia Pty. Ltd. was incorporated in September 1988 with designated staff to carry out import and export transactions for Australian Co-operatives.

Separate initiatives in the Philippines and Sri Lanka movements appear to be headed in the direction of Apex based co-operative trade promotion offices with broad membership support and full time staff.

Unfortunately the Business Promotion Board (B.P.U.K.) of Indonesia appears to have been left in limbo by newly elected Dekopin leadership. We are hopeful that this will only be a temporary setback to what has been one of the more successful trade development programmes under the SCTI.

The project has established two "representative" offices: one in northern Europe under the name Cooptrade International (Europe) and the other in Australia through the sponsorship of the Australian Association of Co-operatives.

5. Several trade missions/leadership exchange programmes have also been carried out between member movements recently. This activity is self financing and appears to be gaining momentum as an indigenous expression of trading interest across the region. The T.A. facilitated a Singapore mission to Thailand after the Chiangmai SCTI meeting to determine joint-venture opportunities for the supply of live hogs between Thailand and Singapore Co-operatives.
6. In concert with the above and SCTI/Cooptrade activity, several trading pacts or agreements have been undertaken by member countries over the past several months:
 - 1) Cooptrade Japan with NTUC Fair Price, Singapore.
 - 2) Cooptrade Japan with Thailand Co-operative Consumers Federation.

- 3) Australian Association of Co-operatives with Centrosoyus, U.S.S.R.
 - 4) National Co-operative Union of India with Centrosoyus, U.S.S.R.
7. Technical consultancies have been provided to several member organizations over the past year.
- i) Thailand, the Philippines and Malaysia have received project assistance for organization/infrastructure development.
 - ii) The project has also provided technical assistance and support for co-ordination between rattan manufacturers in several countries in preparation for the Bella Centre Furniture Exhibition in Denmark May '89.
 - iii) The project has funded an exploratory survey report on Burmese Co-operatives. The consultant Report has just been received. Rattan and Hardwood Exports appear to have the best short-run opportunities. Mandalay Co-operatives have started exporting horticultural produce to Yunan Province, China in exchange for yarn, tallow, candles and other goods. Other products for export include rice, coffee, spices, fruits vegetables, prawn, handicraft and ceramics.
 - iv) An ROA Mission report (Herath - Feb. 20) on Bangladesh outlines the interest of Samabaya Marketing Society to import milk products, sugar, vegetable/palm/coconut oil products and salt. The detailed report is available from the T.A.
8. The Malaysian movement has carried out the first nationally based invitational training programme under the Project. The export marketing techniques programme using MATCOM/ILO material and sponsored by Angkasa and the Co-operative College of Malaysia, was conducted over a ten day period (October 2 - 12), 1988. ILO funded the participation of the former Trade Adviser, as Programme Director.

Eighteen participants representing eight Co-operatives and two Government Departments attended the programme which covered all aspects of international trade transactions.

In Thailand, the E.M.T. program, postponed to January - February, has been further postponed to October/November 1989.

9. The project undertook its most ambitious exhibition programme to date: (In the last calendar year).
 - a) Angkasa and the Co-operative College in Malaysia hosted a Co-operative Mini-Trade Exhibition, in conjunction with the April '88 SCTI Meeting. Eight South and South East Asian countries participated in the event.
 - b) Cooptrade sponsored representation of rattan furniture co-operatives in the Scandinavian Furniture Exhibition in Denmark, May '88. Products from Co-operatives in the Philippines and Malaysia were exhibited. Several orders and new business opportunities resulted. Participation is being planned for this year's Exhibition as well.
 - c) A Cooptrade Project booth was set up at the ICA Congress in Stockholm with product largely from Australian and Indian Co-operatives.
 - d) Extensive planning and preparation has now been made by the Australian Association of Co-operatives to host an Asian/Pacific International Co-operative Products and Services Exhibition, in conjunction with the proposed ICA Regional Ministerial Conference in September, 1989. A brochure with details will be distributed to country representatives at this meeting.
10. The project has been the recipient of additional donor support (cash) and increased member (in kind) contribution in its operations over the past twelve months. Cooptrade Japan has committed to donate 1.30 M Yen annually for the next three years to the project.

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Member organization contributions (in kind) reached 31% of total project expenditures to June 30, 1988, up from 4% the previous year. Member contributions are expected to be slightly higher again for 1988/89.

Bruce W. M. Gunn
Trade Adviser
Kuala Lumpur
March, 1989

Information paper
on
ASEAN COOPERATIVE ORGANIZATION

by:
Eddiwan

Prepared for: The Meeting of ICA Council for Asia,
Seoul, 15-16 May 1989

Information paper
on
ASEAN COOPERATIVE ORGANIZATION

by:
Eddiwan

Background

As a follow-up action of the exchange of views among the cooperative movements of the ASEAN member countries, the First Meeting of ASEAN cooperatives was held in Jakarta, Indonesia on 5 to 7 December 1977. The Meeting which was attended by delegates from Malaysia, Philippines, Singapore, Thailand and Indonesia have discussed ways and means how to forge closer cooperation among ASEAN cooperatives and to explore the possibility of establishing an ASEAN Cooperative Organization. It was generally felt that the Bangkok Declaration on 8 August 1967 has embodied the desire of the ASEAN countries to cooperate in social, cultural and economic fields. With this in view the Meeting concluded to adopt a Joint Declaration of Representatives of ASEAN Cooperative Movements to constitute themselves into the ASEAN Cooperative Organization abbreviated as ACO. The Meeting further adopted the ACO Constitution and elected its first Council (for 1977-1979), which appeared as the following:

Presidium

Chairman : Mr. Eddiwan, Indonesia
Vice-Chairmen : Prof. Ungku A. Aziz, Malaysia
Mr. Bienvenido P. Faustino, Philippines
Mr. Mak Kam Heng, Singapore
Mr. Wichien Sobhon, Thailand

Members : Brig.Gen. Saptadji H., Indonesia
Datuk N. Kularajah, Malaysia
Prof. Monico Yadao, Philippines
Mr. Joseph Edward, Singapore
Mr. Vichien Inthachat, Thailand
Secretary General : Mr. J.K.Lumunon, Indonesia
Board of Officials : Dr. Orlando Sacay, Philippines
Head of Cooperative Departments
of other ASEAN countries.

The objectives of ACO

As clearly stated above, ACO has been organized and supported by the ASEAN spirit to facilitate the achievement of the goals of ASEAN as stated in the Bangkok Declaration of August 8, 1967. Also in keeping with the internationally accepted principles of cooperation it is organized for the purpose of promoting closer collaboration amongst the cooperative movement of ASEAN member countries, and accelerating the growth and progress of cooperative activities in the region through common endeavours and joint ventures. It is also the purpose of ACO to establish working relations and cooperation with regional and international organizations having similar aims and objectives.

So far ACO has been collaborating with the International Cooperative Alliance (ICA) the Friedrich Ebert Stiftung of West Germany (FES), Committee for Agriculture and Forestry (COFAF) and Committee of Agricultural Directors of Extension (CADEX) and has explored possible cooperation with ICIF and Canadian Co-operative Association (CCA) of Canada.

Membership

As mentioned in the background of this report, ACO has been organized by national cooperative organizations and national unions of ASEAN member countries, supported by heads of Government's departments in charge with cooperative promotion in ASEAN countries.

Although supported by respective Governments ACO therefore has been recognized by ASEAN Secretariat as Non-Governmental Organization but officially affiliated with ASEAN Secretariat.

According to its non-Governmental status, the Constitution of ACO stipulates that constituent members of ACO shall only consist of cooperatives, namely national unions, national federations or apex organizations of cooperative societies from ASEAN countries.

The total membership of ACO up to date is as the following:

Indonesia	: 18 organizations
Malaysia	: 2 organizations
Philippines	: 9 organizations
Singapore	: 2 organizations
Thailand	: <u>2 organizations</u>
	33 organizations

Since Brunei Darussalam up to November 1988 had no national organization yet, participation in ACO activities so far has been performed by representatives of Government.

In December 1988 a total of 124 primary cooperatives in Brunei Darussalam attended a 3-day Meeting under auspices of the Director General of Cooperative Promotion, Ministry of International Affairs of Brunei Darussalam; and assisted by

the Chairman and Secretary General of ACO decided to initiate the formation of a national cooperative council. Hopefully within a reasonable time this desire will be materialized and the cooperative movement of Brunei Darussalam could share in all ACO and ICA activities as equal partners.

The ACO Council and Secretariat

After the termination of office of the first council as reported in the first chapter, members of the council have been elected and composed according to the Constitution (as amended on April 17, 1985), as the following:

- a Presidium consisting of 2 (two) representatives from each of the cooperative movements of the different ASEAN countries.
- a Board of Officials composed of the Head of the Co-operative Department in the respective ASEAN countries or his designated representative, and
- a Secretary General.

The Presidium comprises chairman and vice-chairmen from all movements of ASEAN countries distinguish the organization as an organization of the movement, managed for and by the movement.

An organizational innovation in the ACO Council is the institution of Board of officials, not entitled to be elected as chairman or vice-chairmen, but making part of the Council. The Board of Officials act as the communication with the respective Governments. The role of this board among others has been reflected in the joint committee of Asean Governments and ACO to organize an ASEAN seminar on Agricultural Cooperatives at the end of July this year. An other example of the important communication role of this Board is the idea to organize an ASEAN meeting of Ministers

in Cooperatives, as has been recommended by the 5th ACO Conference in Bali, Indonesia in 1987.

The composition of the Council for 1987-1989 is as follow:

- a. Presidium:
1. Mr. Eddiwan, Indonesia (Chairman)
 2. Prof. Diraja Ungku A. Aziz, Malaysia (Vice-Chairman)
 3. P/B. Gen. Arcadio S. Lozada, Philippines (Vice-Chairman)
 4. Mr. Eric Cheong, Singapore (Vice-Chairman)
 5. Mr. Narong Marukatut, Thailand (Vice-Chairman)
 6. Mr. Moh. Yahya Suryanagara, Indonesia (Member)
 7. Tan Sri Datuk Ir. Hj. Mohd. Hassan bin Abdul Wahab, Malaysia (Member)
 8. Dr. Carlo R.H. Magno, Philippines (Member)
 9. Mr. A.A. David, Singapore (Member)
 10. Mr. Teerawit Koonsap, Thailand (Member)
- b. Board of Officials:
11. Mr. Wahyu Sukotjo,
Expert staff to the Minister
of Cooperatives, Indonesia
 12. Mr. Hj. Abdul Aziz bin Abdul Wahab,
Director General of Cooperative
Development, Ministry of National
and Rural Development, Malaysia
 13. Mr. Clemente Terso,
Director, Cooperative Development,
Ministry of Agriculture and Food,
Philippines

14. Mr. Songyos Narkchamnarn,
Director General of Cooperative
Promotion, Department of
Agriculture and Cooperatives,
Thailand

c. Secretary General : 15. Mr. J.K.Lumunon, Indonesia

The Council meets at least once a year. Since its commencement in 1977, the ACO Council has finished its 10th meeting. Annual meetings go from country to country, Malaysia, Philippines, Singapore, Thailand and Indonesia, which has been performed strictly year by year on self financing basis. Brunei Darussalam has been expected to host a council meeting in the near future.

In view of the location of ASEAN secretariat, Jakarta has been confirmed as the official location of the permanent secretariat of ACO.

ACO Conference

Every two years, ACO shall organize an ACO Conference. The ACO Conference is to provide a forum for the exchange of ideas, experiences, plans and progress of cooperative developments in different parts of the ASEAN region. In view of the purpose of the conference the Constitution states that all constituent members may send delegates (which means delegates from national organizations), so that inputs may come from the respective movements.

Governments of constituent member countries and other ASEAN and international institutions associated with cooperative movement may be invited as observers, in order to accommodate inputs from sources out of the movement of the region. The recommendations and conclusions shall be brought forward to the next council meeting for

consideration and approval.

ACO Committees/Working Groups and activities

(1) ACO WOMEN'S COMMITTEE

This committee has the purpose to motivate women participation in cooperatives through education and training and other activities.

During its last meeting in June 1988, this committee in collaboration with Singapore National Cooperative Federation (SNCF)-Singapore organized an ASEAN women cooperative conference with the theme "Partners in Progress". Originally it was also intended to evaluate the implementation by women cooperators in ASEAN of recommendations made by the ICA Seminar on the role of women in cooperatives (August 1985, Jakarta).

(2) ACO TRADE COMMITTEE

This committee has been successfully motivated to organize national trade offices consents to the cooperative union/apex organization of each ASEAN country. Report from Indonesia mentioned that the national trade office of DEKOPIN (BPUK-DEKOPIN) since the end of 1988 has been included into the Trade Directorate of the Indonesian Cooperative Council (DEKOPIN).

(3) ACO TOURISM AND TRAVEL COMMITTEE

In August 1988 a workshop on Tourism and Travel has been organized in Kuala Lumpur and its follow-up was the establishment of the ASEAN Cooperative Tour and Travel Service, abbreviated as ATTRAS.

(4) COOPERATIVE LAW IN ASEAN

A follow-up seminar on cooperative law in ASEAN

(1st seminar held in Singapore, 1984) held in Kuala Lumpur, August 1988 has produced and published:

- a. Cooperative Laws in ASEAN Countries
(a collection of all laws concerning cooperatives in ASEAN);
- b. Proposed model of a Cooperative Societies Act for ASEAN.

(5) COOPERATIVE AUDITING in ASEAN countries

In October 1986, ACO in collaboration with FES-West Germany organized the 4th seminar on cooperative auditing.

(6) THE ACO ASEAN COOPERATIVE INFORMATION CENTRE (ACIC)

The ACIC has initiated to issue the ACO Newsletter, published quarterly. The intention to develop it into an information on prices of cooperative products was not successful so far.

(7) ASEAN COOPERATIVE INSURANCE WORKING GROUP

An ASEAN seminar on cooperative insurance held in Bali, Indonesia in December 1987 resulted in the formation of an ASEAN Cooperative Insurance working group.

(8) SEMINAR ON AGRICULTURAL COOPERATIVES IN ASEAN

ACO in collaboration with COFAF/CADEX of ASEAN (Governments of ASEAN) has composed a working committee to organize a seminar on Agricultural Cooperatives in ASEAN in July 1989 in Jakarta, Indonesia. It has in view to set up an ASEAN Center for the Development of Agricultural Cooperatives in ASEAN (ACEDAC).

(9) ASEAN MINISTERIAL MEETING ON COOPERATIVES

As regards to the gesture of 9th ACO Council Meeting (1987) to initiate an ASEAN Ministerial Meeting on Cooperatives, the ACO Secretary General has taken steps to contact the Secretary General of ASEAN Secretariat. An ASEAN member country would take the initiative to follow-up the steps taken so far.

(10) OTHER PROGRAMMES OF ACO FOR 1989/90

For the year 1989/90, ACO among others has the following programmes to perform:

- a. Seminar on cooperative banking in ASEAN;
- b. Workshop on school cooperatives;
- c. Workshop on the role of women in consumer cooperatives;
- d. Training in cooperative press.

For the purpose, the Secretary General of ACO is taking necessary steps to explore possible actions.

C l o s i n g

The Board of ACO is looking forward to enter into close cooperation and to establish working relations with other regional and international organizations having similar aims and objectives.

DECLARATION OF
THE ICA SUB-COMMITTEE ON CONSUMER CO-OPERATION FOR ASIA
ON THE OCCASION OF
THE THIRD INTERNATIONAL CONSUMER DAY (15 MARCH 1989)

The ICA Sub-committee on Consumer Co-operation for Asia,

While endorsing the message of the ICA Consumer Committee on the occasion of
the third international consumer day,

emphasises

the need to protect consumers from the hazardous technology and
its products and services,

identifies

the pollution of environment and such acts contribute to the
creation of ecological imbalance as major hazards which
threaten the existence of the mankind and also animals and
plants,

notes

the growing damages by Chloro-fluoro hydro-carbonic (CFC)
products to ozone layer which prevents ultra-violet rays from
reaching the earth at dangerous levels,

and in the circumstances,

resolves

to contribute to the efforts made by all concerned organisations
in safeguarding people against hazardous products and systems,
pollution of environment and damage to ozone layer, and

urges

all its member co-operative movements in the region to make
determined and well-planned attempts to ensure that their shops
and office do not entertain hazardous products or any other
services originated from such institutions or manufacturers who
negate environmental protection and who produce or contribute
for the production of goods and systems containing CFC and

appeals

all its member co-operative movements to publicise dangers of environmental pollution and ill-effects of using products ~~and~~ containing CFC, with the object of realising an enlightened society who protects and nurtures environment for the existence of mankind, animals and plants.



Agm

The Australian Association of Co-operatives

Report of the Australian Association of Co-operatives to the 23rd Meeting of the ICA Sub-Committee for Agriculture for Asia, Seoul, Korea

18 May 1989

There are 3 separate co-operative finance systems established in Australia.

1. Co-operative Housing Finance
2. Credit Unions
3. AAC Central Banking System

Co-operative Housing Finance has been in existence for many years. However, the monies invested by members in these co-operatives are totally restricted to the purpose of making loans available to members for housing finance.

Credit Unions have developed during the last 20 years into a significant sector of the Australian financial industry. Credit Unions provide a full range of financial services for its members. Members deposit their savings into these credit unions and other members in turn take out loans. The Credit Unions are legally required to deposit a percentage of their total funds into a centrally controlled credit union reserve banking system.

However, the surplus funds held by this central credit union bank are mainly used to invest in accredited private and government financial institutions and there has been a very limited amount of these surplus funds make available for the development of the Australian co-operative sector.

AAC operates a central banking system for its member co-operatives. 85 of these co-operatives use this banking system, either to deposit their surplus funds, for which they are paid competitive interest rates or to take out loans for development. These loans are made available to member co-operatives at lower interest rates and with fewer charges than those that operate in the private ~~in the~~ banking systems.

The limiting factor holding back the further development of the AAC banking system is the shortage of deposit funds. There is an urgent need for development funds by many co-operatives. The ideal solution seems to be the establishment of a co-operative bank. This could not be achieved quickly.

In the short ^{term} ~~time~~ much could be achieved by full co-operation between the AAC's central banking system and the credit union's banking system. Full co-operation between these co-operative controlled financial services could provide adequate funds for the further development of the Australian co-operative sector.

Our delegation suggests that the ICA organize a study into the co-operative financial systems operating in its member countries, with the object of developing some guidance for the development of more effective financial systems that will facilitate the further growth of our co-operatives.

INFORMAL SELF-HELP GROUPS AND
AGRICULTURAL COOPERATIVES IN KOREA

May, 1989

By

Shil-Kwan Lee

International Cooperation Division
National Agricultural Cooperative Federation

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1. Agricultural Cooperatives

Agricultural cooperatives are multi-purpose with two-tiered federal system in Korea. The agricultural cooperatives at various levels not only supply agricultural credit but also provide important farm inputs and farm necessities. The National Agricultural Cooperative Federation (NACF) is an apex at national level and it has 420 branch offices throughout the country. There are at present 1,463 primary societies, indicating that there is one primary society in every sub-district level, that cover approximately 92 percent of total farm households as members in Korea.

Agricultural cooperatives in Korea have been considered as the most important rural institutions through which various rural development programmes have been implemented. Especially, achievement of the agricultural cooperatives during the last decade was substantial.

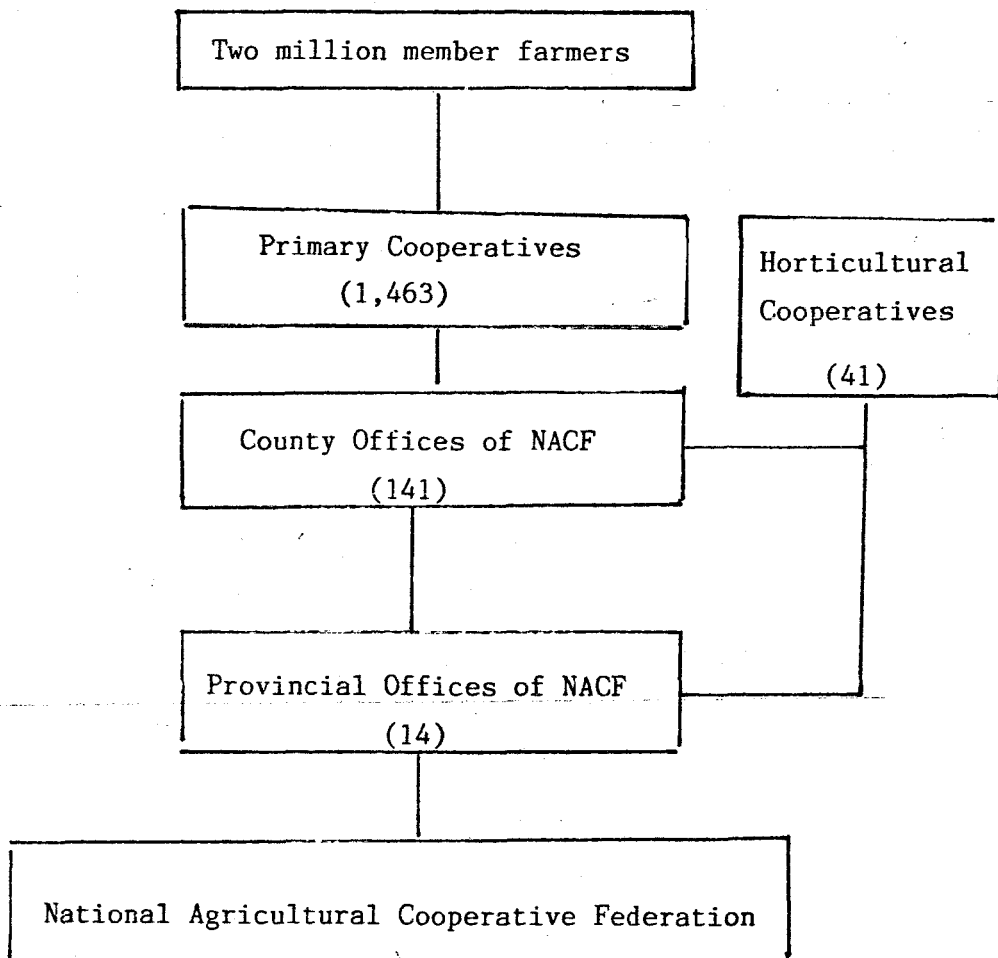
The primary societies have achieved very rapid progress during the last decade in terms of their business volume. For example, non-banking business per primary society was increased almost 8 times during the same period. Especially, volume of the banking business per primary society has recorded a tremendous growth during the same period, showing 54 times increase in its volume.

It is observed that cooperative marketing, supply of modern inputs such as chemical fertilizers, farm chemicals, etc., and supply of farmer's consumer goods have been also very rapidly expanded during the last decade. As a result, number of paid-working staff in the primary society was also increased from 12 persons in 1974 to 20 persons in 1985.

It is estimated that total cooperative business volume handled by primary societies have shown an average annual growth rate of approximately 38 percent during the last decade.

In addition almost all the primary societies have their own chain-stores through which most of consumer goods are supplied at reasonable prices for member farmers. Average amount of share capital subscribed by member farmer was approximately one hundred U.S. dollars and percentage of dividend distributed for member farmers was on an average 7.3 percent in 1985.

Organizational Structure of NACF and Member Cooperatives



2. Merger of Village Cooperatives

The multi-functional cooperatives, established in 1961, were organized across the country in a short period of time as they took over all the office, facilities and staff of old cooperatives and the agricultural banks. At that time, however, the average membership of a village cooperative was no more than 82. The cooperatives that had more than 200 members accounted for a mere 7.3 percent of the total number of village cooperatives. It was only possible to merge in order to spread over the administrative overhead costs to many members. After this had been accomplished, the volume of cooperative business swelled parallel with the increase in cooperative membership, whereas annual managerial expenses of cooperatives increased at a far smaller pace in relative terms. Such growth, however, has sharply focused on a developing weakness of one of the cooperative operating principles which is close control of the membership so as to obtain a business operation oriented to user rather than investor needs. The NACF believed that the attainable advantages could be sufficiently compensate for any disadvantages. In the view of this the NACF promoted the merger of village cooperatives in the believe that merger was desirable for the managerial self-sufficiency of cooperatives.

In the merger activity, the existing village cooperatives which totaled 21,042 in 1961 were reorganized into 4,512 unit cooperatives by 1971. Average membership of a cooperative increased from 82 to 490. The merger was carried on and by 1972 the number of cooperatives further dwindled to 1,567. This figure represented roughly one cooperative per township administration area. Of course, it was possible that the number of cooperatives decreased and the average membership per cooperative increased, and so would the volume of businesses per cooperative. But, if the businesses zone of a cooperative extended beyond the boundary of a township administration area, cooperative members would face inconvenience in participating their cooperatives activities, resulting in a reluctant to use cooperative channels. In view of this, the merger activity was principally stopped within township areas. The number of cooperative finally was 1,464 and average membership of each primary cooperative reached to 1,416 at the end of 1985.

Changes in Number of Primary Cooperatives through
Merge Activity, 1961 - 1985

Year	Total Number of Co-ops	Total Number of Members	Average Member per Co-op
		1,000 person	person
1961	21,042	1,727	82
1964	18,963	2,242	118
1967	16,963	2,243	132
1970	5,856	2,224	380
1973	1,549	2,062	1,331
1976	1,535	1,879	1,224
1979	1,490	1,927	1,294
1981	1,476	2,076	1,407
1983	1,469	2,122	1,445
1985	1,464	2,074	1,416

* Source: NACF, Agricultural Cooperative Year Book, 1985, 1986

Parallel with the merger of cooperatives, such businesses as purchase of farm supplies, help in selling the farm products, and provision of wide variety of services including credit, technical guidance and the like were created. As a result, the financial condition and business activities of primary cooperatives were greatly expanded, and thus they could conduct all their cooperative functions. Afterwards, cooperative activities secured an adequate amount of business and membership support.

However, the merger of village cooperatives into a large-scale of township level cooperatives entails inconveniences to member farmers because of the extended distance between the member farmers and cooperative. The primary cooperatives as human oriented organization have been weakened in view of human relationship among member farmer and frequencies of contacts to cooperative have been reduced.

In this respect the primary cooperative needed the role of self-help group at the village level requesting to do the role of village cooperative and as bridge between the member farmers and township level cooperatives.

3. Self-help Groups at Village Level

a. Structure

There had been various kinds of self-sprouted farmers' groups in the village for purpose of saving, joint working or social activities. As the primary cooperatives merged into township level, the cooperatives strengthened supporting the grass-root organizations at village level in order to make members understand the role of cooperatives and thus to induce active participation in the cooperative businesses.

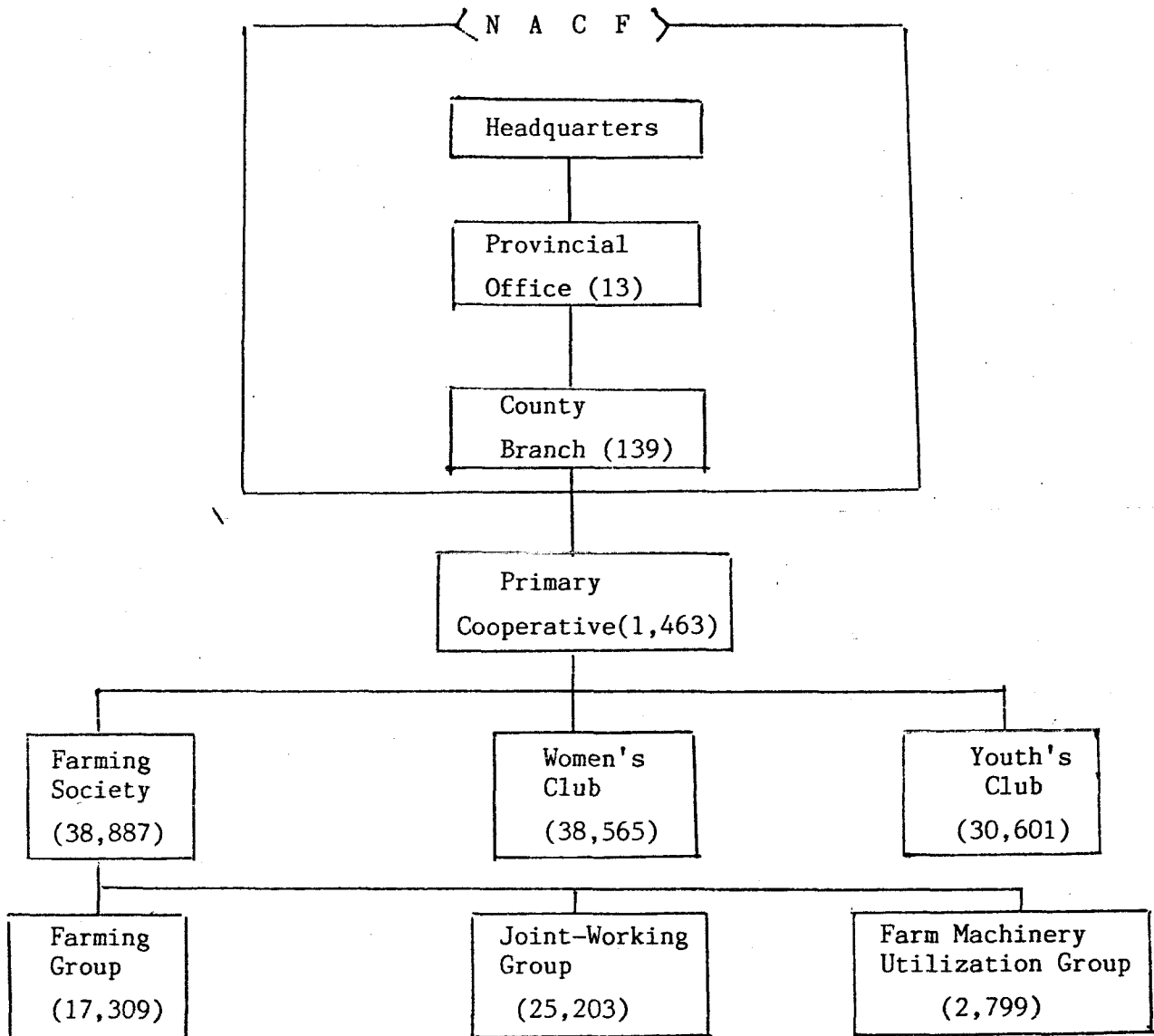
The self-help group is a good example for training of cooperation among farmers and training of democracy in the rural village. As bridge between the cooperative and member farmers, the groups can deliver their opinions and needs to the cooperative.

The Farming Group, Joing-Working Group and Farming Machinery Utilization Group have been established as sub-organizations of Farming Society on the voluntary basis. The Women's Club and Youth Club have been organized separately at almost all villages. As of the end of 1987, there were 38,887 Farming Societies, 17,309 Farming Groups, 25,203 Joint-Working Groups, and 2,799 Farm Machinery Utilization Groups.

On the other hand, 38,565 Women's Clubs and 30,601 Youth's Clubs which had horizontal cooperative relationship with Farming Society were in operation as of the end of 1987.

Even though these grass-root organizations are closely related with cooperatives and receive various guidance and support from cooperatives, their management decisions are made according to the autonomous opinions of members, and management staff members are selected among members in a democratic way.

Cooperative Grass-root Organization Structure



b. Functions

Farming Society

The Farming Society plays role as an implementing and executing agency of a primary cooperative on the overall cooperative businesses. Its functions are ; 1) assisting in overall farming activities 2) collaborating in production and joint use of production facilities 3) implementing rural development 4) assisting in agricultural marketing 5) promoting side-line business for farm household 6) upbringing prospective young farmers and 7) training and education of its members.

One of its major roles is to promote member's participation in the cooperative businesses on the basis of voluntariness, and establish cooperative spirit among members. To play the role, the society collects various opinions of members and reflects them to the cooperative business activities, and it also transmits informations on the farming guidance and the cooperative business to its members. A considerable part of its functions is usually carried out by its subordinate organizations such as farming group, joint working group and farm machinery utilization group.

Farming Group

Farming groups have been organized by the farmers cultivating the same crop since 1970 mainly for production and marketing of cash crops as fruits and vegetables. The emphasis of the group activities has been changed from production activities at the early stage to joint marketing in the late 1970's, as the agriculture is gradually commercialized in Korea. Its functions are as follows ; 1) introducing advanced farming technology 2) joint purchasing of farm inputs 3) raising farming fund 4) joint utilization of farming facilities and 5) jointmarketing of the products.

Each member's farming is operated individually, but farmers seek ways to reduce farming costs and to improve productivity through cooperation among members in order to overcome the weakness of their small-scale farming.

Joint Working Group

The joint working group aims at efficient use of insufficient rural labor in busy season, and thus, enhancing efficiency through joint works by members.

The groups are organized at village level or farming field level mostly for paddy farming. The joint activities of the groups cover transplanting paddy, spraying agricultural chemicals and harvesting works as well as

construction of farming roads. Individual labor costs for the joint work are calculated upon farming acreage and income from the work is distributed in proportion to each member's working days.

Farm Machinery Utilization Group

The farm machinery utilization group has been organized in order to save farm labour and reduce farming costs. For the joint use of machineries, the Agricultural Cooperatives has made an effort from 1981 to organize the group at village level and to conduct a pilot project at township level. The farm machineries are owned jointly, rented from cooperatives or mostly possessed by individual members. The fee for using machineries by members is paid to the group according to the acreage covered by each member to meet the costs and the remains shall be reserved in common.

Women's Club

The Women's club has been organized for the welfare of rural housewives and for sound management of family life, and the club devotes to the development of rural society as well.

The women aged from 20 to 60 can be member of the club on the voluntary basis and the major functions of the club are ; 1) family planning and children education 2) living guidance and cultural and welfare project 3) savings mobilization campaign 4) farming guidance and training of farm machineries for housewives and 5) promotion of off-farm income boosting project of rural households.

During the recent years, rapid growth of industrial sector pulled rural population into the urban area and eventually left a good part of farming works to the rural housewives. The role of women in rural society has been apparently extended and the Women's Club is expected to play an important role in the cooperative movement.

* Youth's Club

The youth's club has been organized to make younger generation play a leading role in the rural development in the future. The club provides opportunities of learning new farming technologies and training cooperative spirit in order to bring up rural young generation as prospective farmers.

Each member at the club, aged from 13 to 21 years, chooses a subject according to his own interest, studies and practices.

C. Status of Self-help Groups (As the end of 1987)

1) Farming Society

- o No. of Societies : 38,887 (27 societies per Coop)
- o Allowance paid to leaders by Coops
 - Total : 5,541 mil. Won
 - Monthly payment: 11,870 Won (per leaders on average)
- o Trained leaders by NACF : 9,437 (24 %)

2) Women s Club

- o No. of Clubs : 38,565 (26 Clubs per Coop)
- o Fund raised : 44,158 mil. Won
- o Average Fund raised per Club : 1,145 thousand Won
- o About 83 percent of Primary Coops paid allowance to leaders
(Five thousand per leader monthly on average)

- o About 21 percent of leaders trained by NACF.

3) Farming Group

- o No. of group : 17,309 (12 groups per coop)
- o Fund raised : 31,372 million Won(1,812 thousand Won per group)
 - in Cash : 18,588 million Won
 - as fixed asset : 12,783 million Won

- o Total marketing amount
 - through coop channel : 546,987 million Won
 - through private channel : 372,298 million Won

Farming Group by Crops

(%)

Crops	No.	%
Greenhouse vegetable	4,253	25
Apple	732	4
Grape	337	2
Orange	314	2
Radish & Cabbage	550	3
Watermelon	442	2
Red pepper	3,079	18
Garlic	885	5
Sesame	768	4
Cattle	541	3
Beer barley	1,442	8
Onion	367	2
Melon	315	2
Straw berry	367	2
Others	2,311	14
Total	17,309	100

4) Youth Club

- o No. of Clubs : 30,601
- o No. of members : 737,051
- o Fund raised
 - in cash : 4,554 million Won
 - as fixed asset : 2,040 million Won

5) Farm Machinery Utilization Group

- o No. of groups : 2,799
- o No. of members : 50,891
- o Fund raised
 - in cash : 1,998 million Won
 - as fixed asset : 11,721 million Won

6) Joint-Working Group

- o No. of groups : 25,203
- o Fund raised
 - in cash : 3,089 million Won
 - as fixed asset : 2,935 million Won

* Self-help Groups in Sin-dong Agricultural Cooperative

o Member farmers

Total households			Member farmers	
Farm households (A)	Non-farm households	Total	No. (B)	ratio(B/A)
1,507	717	2,224	1,289	85 %

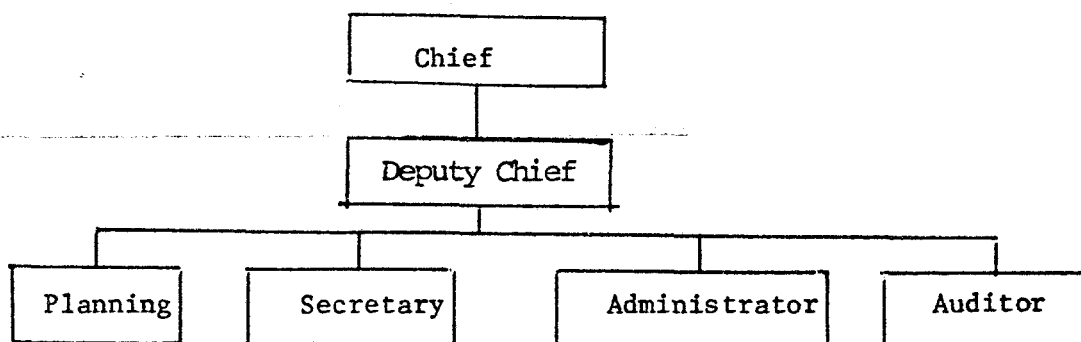
o Arable lands

			(Ha)
Paddy field	Up-land	Total	Perfarm household
677	585	1,262	0.92

o Self-help groups

Classification		Farming Society	Women's Club	Farming Groups	Youth Groups
No. of Groups		27	27	46	23
Members		1,289	960	589	461
Members per Group		48	36	13	20
Age	20-30	0	3	7	23
	31-40	5	12	8	-
	41-50	16	7	21	-
	Over 50	6	5	9	-
Education level	Middle School graduates	18	16	20	4
	High " "	8	10	23	15
	Universtiy "	1	1	2	4
Income level	Less than 4 mil. Won	17	10	39	11
	4-5 mil. Won	8	12	6	9
	Over 5 mil. Won	2	5	-	3

o Structure (Farming Group)



4. Linkages between Self-help Groups and Cooperatives/Federation

a. Cooperative's supports for self-help groups

As need of mutual benefits, the relations between self-help groups and cooperatives have been significantly strengthened since 1970 as the merger of cooperatives started.

Now we have so many groups in different size, operation, structure and the relations with cooperatives are also greatly different respectively. NACF has particular division dealing with fostering programs and has two separate training institutes for the group leaders. For fostering the groups, NACF classified the groups into three development stages, such as initial, general and advanced stages. NACF also designated model groups in order to demonstrate them to members of under-developed groups. The success stories are used in the leaders training, and introduced to other groups in forms of booklets or video tapes. In 1987 NACF selected and awarded the best Farming Society, Women's Club Farming Group and published eight kinds of guidance materials.

(Example)

Evaluation Items of Women's Club

- o Leader : leadership and self-devotion, No. of training participated
- o Member's participation : business activities, training, participation
in meetings
- o Funds raised
- o Meetings : No. of meetings opened
- o Women's lecture class : No. of meetings opened, lecturers invited
- o Status of recording of club management
- o Savings : balance per member (divided into urban type and rural type)
- o Mutual insurance : Policies sold per member (divided into urban
and rural types)
- o Amount purchased from coop chain store per member

- o Income raised from group business
- o Cultural activities : village study room for students, Kindergarten, activities for elderly people, village library.
- o Improvement activities for kitchen, toilet and public water supply.

Cooperatives and NACF support fund for the development of self-help groups. In 1987 supports to the groups are summarized as below :

- o Fund for strengthening grass-root organization : 5,600 mil. Won
- o Production fund to farming group for winter crops : 26,800 mil. Won
- o Fund for Women s Club projects : 23mil. Won
- o Scholarship for students of agricultural school : 170 mil. Won
- o Farming fund for young prospective farmers : 829 mil. Won

Many primary cooperatives give allowance to leaders of Farming Society and Women's Club. The monthly allowance amounts are different by the respective cooperative ranged from 10,000 to 20,000 Won (About 20 US dollars) for leaders of Farming Society and from 5,000 to 15,000 Won for Women's Club leaders.

Trainings for members and leaders of these groups are very active at the level of local cooperatives and of Federation. Particularly NACF recently opened two special training institutes for leaders of self-help groups to make them understand the role of cooperative and to improve the leadership. The training details are introduced in next part of this paper.

NACF estimated the total savings amount through Women's Club activities reached to 227,100 million Won during 1987 and policies of mutual insurance of cooperatives sold reached to 169,300 million Won during the same year. And the Women's Club operates 21,133 village chainstore shops and their sales was 167,500 million Won in 1987. Other activities of Women's Club during 1987 are summarized as below :

- o No. of lecture class opened : 3,969
- o No. of kitchens modernized : 15,755 households
- o No. of joint kitchens operated during labour peak season : 3,856
- o No. of Kindergartens operated : 4,172
- o No. of members trained in farm machinery course : 25,348
- o No. of members trained in farming technique course : 126,201

The self-help groups are informal cooperation organizations with the local primary cooperatives, not the subordinate organization of cooperatives. Therefore the linkage between the two are vary, and some groups organized by the direct guidance of cooperative and some are as big as primary cooperatives in a certain business activities and accordingly there are cases they compete not cooperate with the primary cooperatives. However as multi-purpose cooperative, all the businesses of cooperative are closely linked with individual farmers' needs, and their opinions and needs can be delivered through their leaders of groups.

In conclusion, the self-help groups and cooperatives have same goals and common fields to help and cooperate each other. And as small farmer hold only 1 ha land, the farmer themselves need definitely group activities in many ways.

b. Mutual Credit System and Self-help Groups

The agricultural cooperative handles all kinds of rural credit, including short, medium and long-term credit. The National Agricultural Cooperative Federation (NACF) is the co-operative institution through which a huge amount of savings is mobilized mostly from non-members in the urban sector and channelled them to member farmers who need credit both for productive and non-productive purposes.

The primary societies represent major contact with member farmers and are also engaged in credit business, both mobilizing savings in the rural areas and supplying credit to member farmers. This is called a Mutual Credit System (MCS) which is distinguished from banking business of the NACF.

It is observed that proportion of agricultural cooperative in meeting farmer s credit requirement has been rapidly improved. For example, during the early 1970 s approximately 80 percent of farmer s credit need was met by private money market where interest rate was very high and share of institutional credit was only less than 20 percent.

However the situation was very much changed especially as the MCS was very rapidly developed during the last decade. Approximately 70 percent of total farmer s credit requirement is now provided by the agricultural cooperatives and share of the private money market becomes only less than 30 percent.

Improvement of share in agricultural cooperative credit in rural money market is mainly due to very rapid expansion of the MCS with primary societies. A large volume of rural credit is supplied as the MCS becomes very much successful in mobilizing rural savings by the primary societies.

Role of the primary societies in providing rural credit both in terms of its credit volume and number of credit institution plays major part recently mainly because of successful implementation of the Mutual Credit Programme in Korea.

Growth of Mutual Credits

(in million Won)

Year	Deposits		Loans	
	Amount	ratio	Amount	ratio
1981	1,163,315	100	750,383	100
1983	1,730,707	149	1,367,905	182
1985	2,628,260	226	1,855,631	247
1987	5,107,224	439	3,618,599	482

The MCS related directly or indirectly with self-help groups at village. Most of group members have their accounts in the cooperative. For savings mobilization, Women s Clubs encourage the members to carry on thrift living such as a spoon-pull rice saving campaign, village shop operation, join working group farming on abandoned lands. Farming Groups persuade their members to deposit the money with Cooperatives which they earned from joint marketing of their products.

The Mutual Credit Funds of Primary Cooperatives mobilized in such ways are given to member farmers as loan for either production or household expenditures. The surplus funds, if any, are deposited in NACF s special account. The successful mobilization of financial resources for agricultural funds in Korea might be attributed to such saving activities of grass-root organizations. On the other hand, in the provision of production loan, Farming Societies reallocate the funds, to each member in consideration of each member's application of fund, and often determine the priorities in respect to financing. In allocating special purpose funds for schooling and cash crop development project, Primary Cooperatives select borrowers in consideration of the recommendation of the leader of Farming Society.

NACF controls and coordinates such financial resource mobilization and financing related activities of grass-root organizations through its cooperative system and puts its key emphasis on the expansion of resource mobilization and on the smooth supply of production funds.

單位農業協同組合의 相互金融金利

Interest Rates on Mutual Credit of Primary Agricultural Cooperatives

單位：年利 %

Unit: In percent per annum

實施日 Effective from	預 受 金 Interest rates on deposits													
	定期預託金 Time deposits					自由積金 Free installment savings			定期積金 Installment Savings					
	1個月 以上 longer than 1 month	2個月 以上 2 months	3個月 以上 3 months	6個月 以上 6 months	1年以 上 1 year	3月 3 months	6月 6 months	1年 1 year	6個月制 6 months	1年制 1 year	1年半制 18 months	2年制 2 years	2年半制 30 months	3年制 3 years
79. 5. 11	13.2	13.2	16.2	18.3	19.8	17.7			14.0	16.2	16.7	17.2	—	18.2
79. 9. 1	"	"	"	"	"	"			"	"	"	"	—	"
80. 1. 12	—	—	20.1	22.2	24.9	15.0	19.2	21.3	19.6	21.6	22.6	23.6	25.0	25.0
80. 5. 12	—	—	"	"	"	"	"	"	"	"	"	"	"	"
80. 8. 11	—	—	"	"	"	"	"	"	"	"	"	"	"	"
80. 9. 22	17.1	—	18.72	20.35	23.4	12.6	16.5	18.6	17.1	19.1	20.1	"	"	"
80. 11. 13	14.965	—	16.02	18.12	20.7	9.8	13.7	15.8	14.3	16.3	17.3	21.3	22.5	23.7
80. 11. 18	"	—	15.72	16.74	19.5	"	"	"	13.0	15.0	16.0	20.0	21.2	22.4
81. 12. 14	"	—	"	16.14	18.3	"	13.0	14.8	"	13.8	14.8	18.8	20.0	21.2
82. 1. 25	—	—	15.3	15.5	15.9	—	—	—	—	14.7	—	15.3	—	15.9
82. 4. 12	—	—	13.3	13.5	13.9	—	—	—	—	12.7	—	13.3	—	13.9
82. 7. 1	—	—	8.5	—	9.0	—	—	—	—	8.6	—	9.0	—	9.0
84. 3. 5	4.0	—	7.0	7.0	10.5	—	—	—	—	10.5	—	10.5	—	10.5
85. 6. 1	"	—	7.0	9.0	11.0	—	—	—	—	10.5	—	12.0	—	13.0

實施日 Effective from	預 受 金 Interest rates on deposits							貸 出 金 Interest rates on loans							
	普通預託金 Passbook deposits		自立預託金 Self-supporting deposits		獎學積金 ¹⁾ Schooling installment savings			農家宅貯蓄 Farmers property formation deposits			一般 貸出 General loans	積金擔保 出貸 Loans on mutual in- stal. sav.	積金擔保 出貸 Loans with collateral of instal.	自立預託 金貸越 Over-draft of self- supporting deposit	滯 留 貸出 金 Overdue
			2年制 2 years	2年半 制 30 months	3年制 3 years	3年制 3 years	5年制 5 years								
81. 12. 14	6.0		14.4	18.2	19.4	20.6	30.9	33.6	21.5	20.0	20.0	22.5	28.0		
82. 1. 5	"		"	—	—	—	"	"	19.5	19.0	19.0	19.5	26.0		
82. 4. 1	"		"	—	—	—	27.4	28.4	"	"	"	"	"		
82. 4. 12	4.0		12.0	—	—	—	25.4	26.4	"	"	"	"	"		
82. 7. 1	2.8		8.0	—	—	—	20.5	20.9	17.5	17.0	17.0	17.5	24.0		
82. 10. 1	"		"	—	—	—	"	"	13.0	13.0	13.0	13.0	21.0		
84. 3. 5	2.0		6.0	—	—	—	"	"	13.5	13.5	13.5	13.5	22.0		
85. 6. 1	"		8.0	—	—	—	"	"	14.5	14.5	14.5	14.5	"		
85. 10. 1	"		"	—	—	—	16.2	16.9	"	"	"	"	"		
86. 5. 1	"		"	—	—	—	"	"	"	"	"	"	20.0		
87. 3. 16	"		"	—	—	—	"	"	"	"	"	"	18.0		

註：¹⁾ '82年 1月 25日부터 定期積金 金利適用

Note: ¹⁾ Since the 25th of January, 1982, the interest rates of Installment Savings is applied.

5. Training of Self-help Group Leaders

The NACF has established two Agricultural Cooperative Leaders Training Institutes. The first one was opened in October, 1983, and is located in Anseong County, Gyeonggi Province. It has the capacity to handle 300 trainees. The second institute was opened in March, 1984, in Jeonbuk Province, and is able to accommodate 200 trainees.

Each course, lasting five days, admits 10 trainees from each primary cooperatives. The 10 trainees from each cooperative are :

Leaders of Farming Societies	(2)
Leaders of Women s Clubs	(2)
Leaders of Farming Groups	(2)
Leader of Youth Club	(1)
Member of the board of directors of Primary Coop.	(1)
President of the Primary Coops.	(1)
Manager of the farming guidance department of the Primary Coop.	(1)

The participating cooperatives are selected by the county office of the NACF in consideration of the regional distribution, development level and type of cooperative. The number of participants to be trained in each county and province is decided according to the annual training master plan which also takes into consideration the farming season of each area. The president selects qualified farmers among the leaders of the grass-root organizations who are actively participating in the cooperative movement and have the ability to influence neighbor farmers after completion of the course.

The curriculum of the course is composed of lectures, presentation of successful cases of farmers, group discussions and a field trip.

The presentation of successful cases is delivered by the leaders of cooperative movement or self-help groups. They explain their successful achievement with special reference to their own experiences and problems encountered in the process of their achievement. This presentation aims at igniting a strong desire for achievement by the other participants.

Trainees are grouped into 20-30 people, according to groups for the purpose of discussion, which provides members with the opportunity to exchange their experiences and information.

During the course, the daily life of the teaching staff of the institute is a good example to the trainees. They exhibit a sacrificial spirit of service to the trainees. They live, think and learn together and thus they influence each other.

During the latter part of the training, they discuss the direction of cooperative business, the management of their cooperatives and the future of the cooperative movement including the planning of regional development.

The institute publishes correspondence materials every quarter and sends them to the leaders so that they can refresh their memory of the training course.

The quarterly correspondence titled " Echo of cooperation" covers letters and reports from the leaders news of cooperatives and the training institute and information about farming.

23 RD MEETING OF THE ICA SUB-COMMITTEE FOR
AGRICULTURE FOR ASIA ; SEOUL, REPUBLIC OF KOREA

COUNTRY PAPERS

ON

RECENT TRENDS AND DEVELOPMENTS

IN THE FIELD OF AGRICULTURAL COOPERATIVE IN THAILAND

BY MR NARONG MARUKATUT

DIRECTOR,

THE COOPERATIVE LEAGUE OF THAILAND

**National Policies, Recent Trends, Major Problem Areas and Need
of Development in Agricultural Cooperative in Thailand**

1. Historical Background

The cooperative in Thailand is generally accepted as dating from 1916 when the first cooperative society was established with a group of 16 members in the rural area of Pitsanuloke Province as a village cooperative of the Raiffeisen model on the initiation of the Government of the time. The purpose was to help relieve farmer from severe indebtedness and preventing their mortgaged lands from being foreclosed by the money lenders. After the first cooperative was put up with fair satisfaction the cooperatives of this type were established moderately in the other provinces. In 1920 there were 60 village credit cooperatives in Pitsanuloke, Lopbur and Ayudhya Provinces with a total membership of 1,190 farm households and the total loan provided by the Siam Commercial Bank of $\text{฿ } 303,668$. All these cooperatives were registered under the special legislation called "The Civil Associations (Amendment) Act B.E. 2459 (1916)"

The first cooperative Societies Act was promulgated in 2471 (1928) which was amended in 1934 broadening the scope of societies authorized. The land settlement cooperatives were organized in 1935. The consumers' and paddy marketing cooperatives were established in 1938. Service cooperatives were started in 1953 and farm products marketing in 1952. In 1954 there were 10,332 cooperatives of 22 types in the 65 provinces of the country but the village credit cooperatives continued as the most importance.

The growth of the cooperatives in Thailand as an institution for people's participation is seen from the variety of activities performed by the cooperative sector. As of January 1, ¹⁹⁸⁹~~1988~~ there were in total ^{2,817}~~2,634~~ primary cooperatives with a total membership of ^{2,880,883}~~2,847,954~~ families. The breakdown according to types is given below.

<u>Type</u>	<u>Number</u>	<u>Membership</u>
1. Agricultural Cooperatives	1,157 1,252	883,694 895,385
2. Fishery Cooperatives	22	4,322
3. Land Settlement Cooperatives	93 95	87,257 87,494
sub-total	1,272 1,369	975,273 987,201
4. Thrifts and Credit Cooperatives	732 784	1,104,614 1,114,074
5. Consumers' Cooperatives	363 389	679,324 688,932
6. Service Cooperatives	267 275	88,743 90,676
sub-total	1,362 1,448	1,872,681 1,893,682
Total	2,634 2,817	2,847,954 2,880,883

Unofficially, the first three types are grouped into agricultural type while the three latter are classified as non-agricultural cooperative group.

2. Present Situation of Agricultural Cooperatives

Structure and Functions

Agricultural cooperatives exist in a typical three-tier structure : district or primary cooperatives; provincial or changwat level federations; and national federations.

District or primary cooperatives are made up of individual farmers producing primarily grain crops, livestock, fruits, vegetable and cut-flowers, etc. Within the society the members are divided into groups at the village level, based on commodity lines, for the purpose of rationalizing economic business or extension and training. These cooperatives are operating multifarious business as above - mentioned.

Provincial or changwat cooperative federations are intermediate or secondary level whose members consisted of primary cooperatives located in the administrative area of the province. At present the agricultural cooperatives are federated at 73 cooperative federations at the provincial or changwat level to undertake the joint business activities, especially, processing and marketing of their affiliates which are beyond ability of an individual cooperative.

The national cooperative levels are organized as the apex organizations of the cooperatives whose members consisted of both primary agricultural cooperatives at the district level and provincial cooperative federations. At this level, the cooperatives are horizontally classified into two categories in the following.

(1) The national federation related to multi-purpose agricultural cooperatives is the Agricultural Cooperative Federation of Thailand Ltd., (ACFT). This apex society is undertaking economic activities primarily in marketing important grain products, like rice, maize, etc, produced by the farmer members of cooperatives as well as purchasing of agricultural inputs, like fertilizers,

chemicals, farm machinery and equipment supply directly to cooperatives and in some cases to its private dealers. As well, a substantial increase in international trade of cooperatives for exporting of rice and maize are available through ACFT.

(2) Those apex societies related to specialized agricultural cooperatives are the Sugar-cane Growers Cooperative Federation Ltd., and the Swine-raising Cooperative Federation Ltd., which are carrying out production and marketing activities of swine raisers and sugar-cane growers cooperatives respectively.

As already mentioned, the Cooperative League of Thailand (CLT) was established, under the Cooperative Societies Act B.E. 2511 (1968), as a national apex organization of the cooperative movement. The major activities set down for CLT are the training and promotion of cooperatives of all types.

Hence it is noted that there is at present an organizational linkages within the cooperative movement in Thailand. The organizational structure of the agricultural cooperative movement is shown in Chart 1.

3. Organization of Agricultural Cooperatives

The organization of agricultural cooperative are divided into two main parts :

- (1) the policy formulation and controlling; and
- (2) the administration and management.

3.1 The Policy Formulation and Controlling are composed of :-

3.1.1 General Meeting Generally, the general meeting is composed of all members. In case of the larger-sized cooperatives or cooperative federations it will choose to have a general meeting by the representatives of members. The members shall be called by the general meeting at least once a year. It has the supreme power in decision making for policy formulation, planning, controlling and decision making for every problem that occurs within cooperative.

3.1.2 Board of Directors The Board shall be elected yearly from the members by the general meeting. The Board consists at least seven but not more than fifteen persons. The powers and duties of the Board are to manage all affairs of cooperative in appropriate ways according to the laws, by-laws, regulations, policies and resolutions of the general meeting.

3.2 The Administration and Management This part consists of the manager and the operating staff. The manager is elected and appointed by the Board of Directors. In turn, the manager will elect and appoint the staff. The manager has as his duty the managing of all day to day activities of cooperative according to the policies under the advice and supervision of the Board.

The organization and management relationship of agricultural cooperatives in Thailand is shown in Chart 2.

4. Relationship Between Government Agencies and Cooperatives

Ministry of Agriculture and Cooperatives (MOAC) by the committee on Policy and Planning for Agriculture and Cooperatives

is responsible directly for policy and planning on cooperative development in accordance with the national development objectives. Three Government agencies within MOAC perform a dominant role in the cooperative development as follows :

4.1 The office of the Registrar of Cooperatives

According to the Cooperative Societies Act. B.E. 2511, the Registrar of Cooperative is responsible for registration and controlling of cooperatives, appointing of cooperative auditors, and other works authorized by the Act. At present the Permanent Secretary to the Ministry of Agriculture and Cooperatives is acting as the Cooperative Registrar.

4.2 Cooperatives Promotion Department (CPD)

CPD is in charge of supervising, regulating and promoting cooperatives including technical assistance, provision of loans to cooperatives and the works perform on behalf of the Registrar. The Department is headed by a Director-General and three Deputy Director-Generals. There are 10 divisions with 53 sub-divisions and sections at head office which includes also the office of Cooperative Inspectors of 9 regions and Internal Checking Office and Project Management Office. Locally, there are 61 land settlement cooperative offices, 73 Provincial Cooperative Offices, 695 District Cooperative Offices, 12 Agricultural Cooperative Demonstration Centres, 10 Regional Engineering Centres and 10 Regional Cooperative Training Centres. A staff of 7,366 persons are assigned to CPD for carrying these activities. About 52.67 % of the staff are in provincial and district offices.

4.3 Cooperative Audit Department (CAD) CAD is in charge of auditing of both cooperatives and farmer associations as well as providing advice and consultation in book-keeping and accounting in collaboration with CPD to cooperative employees. CAD is responsible also for submitting its reports and audits to the Registrar and the copies to CPD.

Moreover, the other related agencies within MOAC, namely Department of Fisheries, Department of Livestock Promotion, Department of Agriculture and Department of Agricultural Extension etc, are providing technical assistance related to their fields to agricultural cooperatives and their members.

As well, a substantial assistance in marketing business is given by Ministry of Commerce. The assistance is made available to agricultural cooperatives in two respects. The first is to purchase milled rice of primary cooperatives through the government purchase program of rice via Public Warehouse Organization and ACFT. The second is to award quotas for the export of agricultural commodities to ACFT for the commodities purchased by primary cooperatives.

5. National Policies for Agricultural Cooperative Development

I. The policy of the Cooperative League of Thailand in developing agricultural cooperative for the period 1988-2003 is as follows:

1. Organization of the National Agricultural Cooperative Development Board (NACDB) rative

2. Formulation of a National Cooperative Development Policy :

2.1 Try to get a place in the sixth plan (Thailand's Sixth National Economic and Social Development Plan) for the basic policy of agricultural cooperative development during the adjustment process of the Plan. This is to establish a specific direction for agricultural cooperative development especially in education and training, production, marketing, processing, financing, pricing and supporting of the movement.

2.2 To improve the regulations and orders issued by the registrar, Cooperative Promotion Department (CPD), and Cooperative Auditing Department (CPD) so that the agricultural cooperatives are more flexible in the administration and are able to promote as a movement.

2.3 To improve the by-law of the cooperative movement to facilitate flexibility in the management.

2.4 To improve and amend the Cooperative Act B.E. 2511 to suit the present conditions.

3. The National Federation of Financial Cooperatives (NFFC)

3.1 Establishment of a NFFC in the cooperative movement, to sign a management contract with exotic financial institution.

3.2 Policy Formulation :

3.2.1 Cooperative should have its own financial system based on the cooperative principles and methods.

3.2.2 Promotion of self-help and mutual-help.

3.2.3 Promotion of stability and security of cooperative movement. Every level of cooperative should involve in this efforts.

3.2.4 Promotion of saving and thrift among members and families.

3.2.5 To create and improve training system for cooperative financial activities.

3.2.6 To create, improve and render new types of services to cooperative and members in need.

3.3 Services Offer :

3.3.1 Receive Deposits

- Fixed Deposits
- Savings Account
- Current Account

3.3.2 Extension of Credits

a) Loans

- short-term loan
- medium-term loan
- long-term loan

b) Credit Card

c) Credit for rent leasing and others.

3.4 Organization and Management

3.5 Human resource development training facilities made available for every body who involve in cooperative movement.

3.6 Accounting and financial control system.

4. Involvement of agricultural cooperatives in agri-business, marketing, processing and input supply :

4.1 Cooperative participation in agri-business and marketing;

4.1.1 To create integrated system in agri-business for cooperative.

4.1.2 To increase the efficiency and security in the marketing system.

4.1.3 Strengthen the cooperative spirit

4.1.4 Allow more flexibility in business management

4.1.5 Improvement of the quality and quantity of produce to suit the taste and demand of the market.

4.1.6 Agricultural industry development

4.2 To promote marketing research

5. Recognition of the cooperative movement as a separate sector of the national economy. e

5.1 To encourage the Agricultural Cooperative Council to fight for the integration of the national agricultural cooperative development plan into the National Economic and Social Development Plan.

5.2 To strengthen the collection activities for members produce's in a continuous manner.

5.3 To promote and strengthen public relation activities with all means to establish the acceptance of the cooperative movement among the general public as having a lending and important role in the economy of the country to be treated as a third sector in the system.

5.4 To involve in social activities and public welfare whenever is possible.

6. CLT and its cooperative coordination role :

6.1 To establish CLT regional branches in all 4 regions of the country.

6.2 To establish CLT provincial representative offices.

7. Increased membership to cover 90% of families by the year 2000

7.1 To encourage and facilitate farmers groups and other occupational groupings to register under cooperative law.

7.2 To set up agricultural cooperative in every tambol

7.3 To encourage agricultural cooperatives to increase membership as well as to expand their business activities and give more variety of services with higher efficiency.

8. Improved structure and coordination of training of board members and cooperative personnel

9. Action towards improving quality of life of farmers.

9.1 To promote more saving among members.

9.2 To promote the organization of women groups as well as youth groups.

9.3 To improve public health.

9.4 To encourage integrated farming.

9.5 To improve irrigation facilities.

9.6 To promote animal husbandry.

II. Policies of the government for cooperative development and their achievement.

The policies in cooperative development according to the fifth National Plan (1982 - 1986) can be summarised as follow.

1. To promote and assist the cooperatives of all types to operate successfully according to their objective which will result in increasing income and raising the standard of living of their members. To this end, many development programs have been implemented along the following guidelines :

1.1 Strengthen and expand the base of agricultural cooperatives by improving the quality of members and their families' members including women and youth as well as admitting new members.

1.2 Strengthen the roles of agricultural cooperatives in agricultural and rural development of the communities.

1.3 Improve and expand cooperative marketing system and input supply services by promoting both vertical and horizontal linkages within the cooperative movement.

1.4 Improve agricultural cooperative credit system through the integration of all kinds of credits namely production, collection and distribution and facilities acquisition credits, on the basis of farm management planning of individual member.

1.5 Improve the efficiencies of cooperative management and personnel system.

As regard achievements, it can be stated that, in general, all the development programs implemented have achieved their targeted goals. However, there are still many areas needed for further cooperative developments.

The Sixth National Plan (1987 - 1991) has set out the policies and plan for cooperative development as follows:

To support the cooperatives in the improvement of operating efficiencies so that they could be able to function as the real integral system of economic and social units by the following ways:

(1) Government agencies in central administration responsible for cooperatives must help increase efficiency of the cooperatives in business activities.

(2) Government agencies in provinces responsible for cooperatives must join in supporting the business activities of cooperatives, coordinating in the promotion of systematic linkages of production and marketing as well as coordinating in improving their working efficiencies in strengthening the cooperatives.

(3) Financial institutions must support cooperatives in providing credits for production and marketing at the reasonable rate of interest.

(4) The information system on trade, marketing and prices should be encouraged to reach all cooperatives.

(5) There must be "Master Plan" for training courses for farmers and cooperative employees in order to better the coordination among training institutions and increase efficiency in training.

(6) To increase the role of cooperatives in controlling the production to be conformed with the demand and improving the quality and standard of produces in order to stabilize the prices.

(7) The cooperatives must have their own development plans to improve the quality and efficiency of their performance.

The directions of Thailand's Sixth National Economic and Social Development Plan (1987 - 1991) which involve cooperatives' role

in achieving the objectives of the policies and plans can be summarized as follows :

1. Natural Resources and Environmental Development Plan which aims at accelerating the issues of documents of land right to farmers throughout the country, improving productivity quality, natural resources utilization as well as productive use of government investment in irrigation facilities and water resource. The Plan also calls for more coordination and cooperation among government agencies concerned as well as farmers institutions and local bodies in administering and managing the country's natural resources. This Plan will enhance greater roles of land settlement cooperatives, forests village cooperatives, water users cooperatives, agricultural cooperatives and fisheries cooperatives since these cooperatives have been functioning in lines with the objectives of the Plan in promoting appropriate use of natural resources.

2. Rural Development Plan which aims at promoting unity and y and economical strength of farmers institutions. To this end, there should be only one government agency directly responsible for promoting farmers' institutions, and systematic linkages among business activities of farmers institutions should be encouraged. This Plan also calls for more coordination of work plans among agencies concerned with rural development at provincial level which based on province's Rural Work Creation Scheme. To fulfil these objectives, agricultural cooperatives could serve as the nucleus for the development, and cooperative training and publicising have to play more important parts.

3. Social Development Plan with Emphasis on Man-power and Labour Development which aims at improving the mechanism of social and man-power development bodies, enhancing the systematic participation of communities on the basis of self-help and mutual help in order to relieve government's burden. The emphasis has been put on improving the urban crowded areas to prevent and solve the social problems. Credit unions and thrift and credit cooperatives as well as housing cooperatives have been taken care of this aspect of development.

4. Development of Production and Marketing System, Technology and Work Creations Plan which aims at promoting the Buy-Thai habits, restructuring agricultural production to increase families income through more efficient and appropriate allocation of resources, accelerating the diversification of agricultural productions and marketing to reduce risks of farmers' income and country's exports, searching out production of new commodities for exports and substitution of imports. The improvement of agricultural production process has put emphasis on reducing costs by using production inputs available in the country, and appropriate technology in the production.

Another important point of this Plan is to increase the efficiencies of production and marketing so the prices of products will be more competitive with those of foreign countries. This involves the change of practices from "market what produced" to "produce for market", and the expansion of production in the areas which have not been utilized.

To fulfil the objectives of this Plan, agricultural cooperatives as well as land settlement cooperatives have played a great role through their integrated business activities which provide production credit, marketing, input supply and extension services to member farmers. Since appropriate linkage between production credit and marketing services can be done in cooperatives, they have helped regulate production in accordance with market. The land settlement cooperatives have been a good example for promoting afforestation and aqua-culture development as they acquired a large area of land.

6. Problems and Obstacles

The success and failure of cooperatives are accounted by many factors. It is well aware that the success of the cooperative movement depends largely on both economic and social conditions of the country. If the nation develop a strong viable agriculture with efficient marketing system and farm price stabilization together with trained supply of human resources, dependable rapid transportation and communication system, this favourable situation will be the factor that influences the successful operation of cooperatives.

The Cooperative Promotion Department (CPD) which is the government agency responsible for the cooperative development has long been studying and evaluating the performance of agricultural cooperatives. Attempts have been made to identify group problems as well as individual cooperative ones. It is found that the following factors, such as general economic condition, government policy on

cooperative development, insufficient knowledge and experience in business management among members and board of directors, inefficient marketing system, farm price instability, insufficient agricultural credit and lack of cooperation among farmer institutions have, to some extent, great impact on the progress and success of the agricultural cooperative movement in Thailand. The solutions to these fundamental problems require a coordinated programme of action to improve all aspects of agricultural cooperative activities : agricultural credit system, marketing and farm supply policy, farm guidance as well as cooperative education and training.

According to the cooperative manpower survey found that insufficient number of efficient cooperative staff to handle the cooperative activities due to the limited budget. A large number of cooperative staff have resigned after participated cooperative training programme. High turn over rate due to low salaries and low level of career prospect. Lack of manpower planning.

7. Need of Development in Agricultural Cooperative

7.1 The need for consolidation of agricultural cooperatives, the farmers organizations and the bank clientele - a new law on cooperatives is to be framed to enable the reorganization in this regard.

7.2 The need for further strengthening the agricultural cooperative products in views of government guaranteed price for farm products and also in view of concerning government regulation.

7.3 Strengthening of management efficiencies and managerial skills in agricultural cooperative.

7.4 Promote income generating projects for supplementary off farm income to cooperative members and their households.

7.5 It is necessary to train the cooperative staff to be efficient in their duties and to run the cooperative successfully. In return for that, the cooperative staff will be paid a better salary, be honoured and recognized by the community. Then, they will certainly remain working with the cooperatives.

chart 1
Organizational Structure of
Agricultural Cooperative Movement
in Thailand

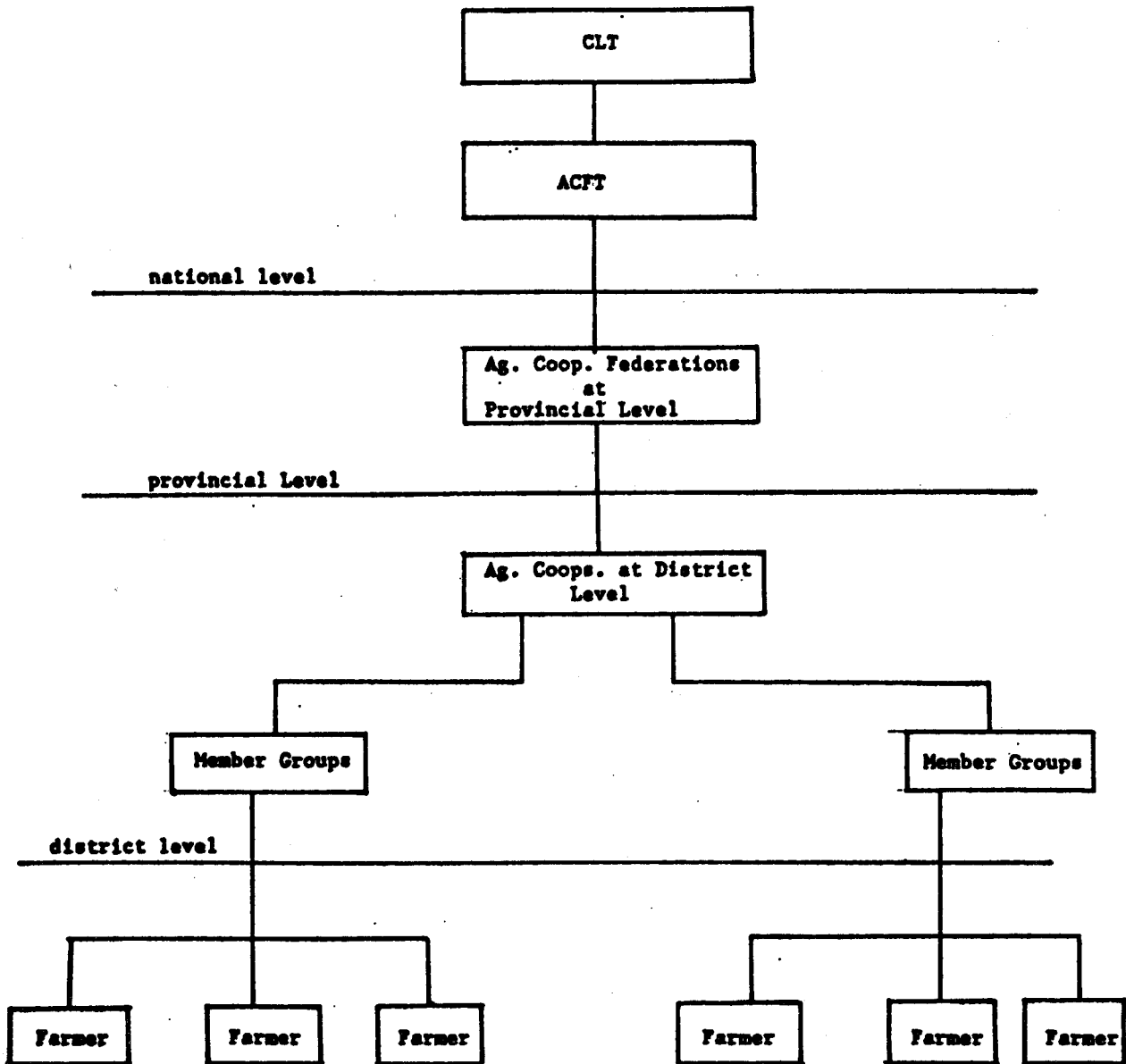
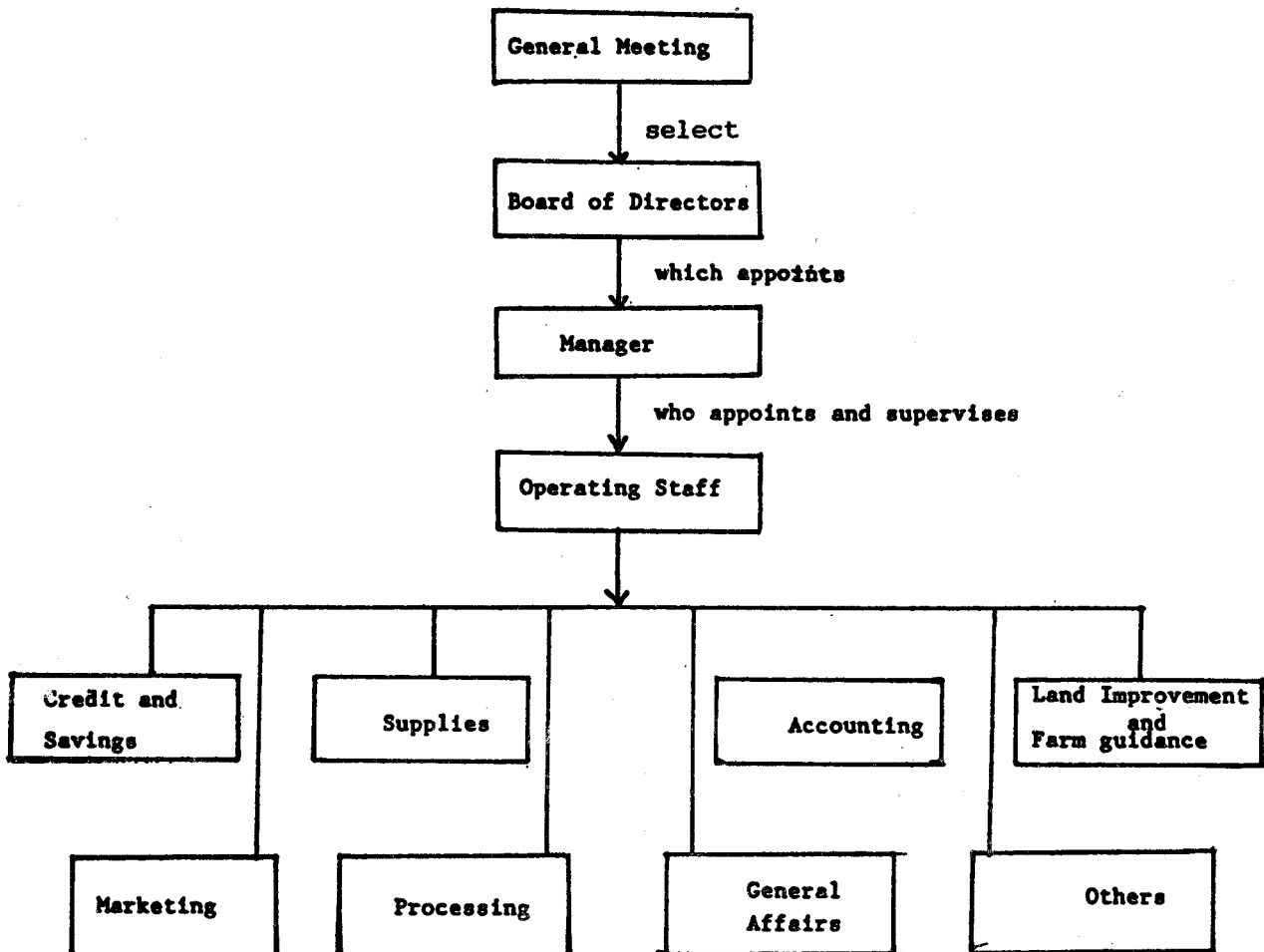


Chart 2

**Organization and Management Relationship
of Agricultural Cooperatives in Thailand**





Regional Office for Asia

Finance

**Co-op. Land/Agriculture Development Banks
in India - Trends and developments.**

P.V. Prabhu*

"Braving adverse weather, Indian agriculture made steady progress in the last four years by increasing productions to record levels in rice, wheat, coarse cereals, oil seeds, sugarcane and cotton."

"The production of rice rose from 63.83 million tonnes in 1985-86 to about 69.5 million tonnes in 1988-89, wheat from 47.05 million tonnes to 52 million tonnes and coarse cereals like maize and millets from 26.20 million to 35 million tonnes."

"Only in the case of pulses the rise was marginal, the total moving from 13.36 million tonnes in 1985-86 to 14.5 million tonnes."

"The total foodgrains production including pulses made an impressive leap from 150.44 million in 1985-86 to 171 million tonnes in 1988-89."

"Oil seeds production, which is the priority area for the country to achieve self sufficiency in edible oils showed a hastening performance by reaching an estimated 17 million tonnes far exceeding the target of 14.5 million tonnes."

"Introduction of high yielding varieties of cereal crops, marked rise in consumption of fertilisers and several exclusive thrust programmes brought about the quantum jump in foodgrains production during 1988-89."

"The disbursement of agricultural credit through RRBs including commercial banks and co-operatives increased significantly from Rs.7354 crores in 1985-86 to Rs.8214 crores in 1987-88."

"The co-operative movement in India which is claimed as the largest in the World, has been characterised by progressive expansion and a continuous expansion."

The above excerpt from the latest Report published by the Ministry of Agriculture, GOI, for 1988-89 explains briefly the progress recorded by the country in the agricultural sector, the growth in the provision of agricultural credit and importance of the co-operative movement. Against this background, the role of the Co-operative Land Development

*Executive Director, National Co-op. Agriculture & Rural Development Banks' Federation Ltd., Bombay.(India)

Presented at the ICA Sub-Committee meeting for Asia on Co-operative Finance - Seoul (Rep. of Korea) 17-18 May 1989.

Banks, which are also known as Agriculture & Rural Development Banks, and the recent developments in their operations are discussed below:

Till 60's, agricultural financing was the close preserve and the sole responsibility of the co-operative credit/banking institutions in India. Commercial banks kept themselves away from this field and under the social control introduced in 1968, they were compelled to finance agriculture. The involvement in rural lending became more aggressive since nationalisation of major commercial banks in 1969. The share of co-operatives in agricultural credit has since then come down from 80% in 1969 to 42% in 1987.

Statistically as against about 32000 rural branches of the commercial banks and 13000 branches of the Regional Rural Banks, at the end of 1987, there were 29 State Co-operative Banks with over 491 branches and 353 District Central Co-op. Banks with over 8800 branches, 89010 PACS, 19 State Co-op. Agri. & Rural Development Banks and 2229 Primary LDBs or branches, which exclusively cater to the needs of rural sector in India.

Institutional credit which was 4 percent of the total credit in rural sector in the past has increased to over 62 percent now. Under multi-agency approach, the direct agricultural credit has increased and the outstanding against the borrowers increased from Rs.1075 crores (Crore = 10 Million) in June 1969 to Rs.2723 crores in June 1975 and further to Rs.17602 crores at the end of June 1987. Of this, Rs.7465 crores constituting 42 percent was provided by co-operatives, Rs.9396 crores (54 percent) by commercial banks and balance of Rs.741 crores (4 percent) by RRBs.

Lending :

The Co-op. Land Development Banks as specialised term lending institutions, have made a steady progress in financing agricultural development over the years. By the end of 1988-89 they have provided investment credit aggregating over Rs.7000 crores and their annual advances have touched Rs.700 crore mark in 1988-89.

The lending operations of the LDBs now are entirely different from what it was in the early stages of these banks. After switching over from loans for redemption of debts to productive loans, LDBs made rapid progress and contributed significantly to the development of agriculture. Although, till recently, development of minor irrigation was their main financing activity, in the recent years, the banks have diversified their loans portfolio considerably in other areas of development. Banks are increasingly financing not only for land based productive activities such as minor irrigation, farm mechanisation, plantation and land development, but also several non-land based activities subsidiary to agriculture, viz., poultry, dairy, piggery, sheep rearing, fishery, sericulture etc.

Diversification :

There are certain thrust areas which have not received enough credit support from the banks despite special programmes drawn by the Govt. for afforestation, wastelands development and dryland farming. The banks have made a beginning to finance such programmes not only for increasing productivity and production but also to maintain ecological balance.

Though traditionally, the LDBs provided only agricultural loans, in the context of importance given for rural development programme and necessity to create employment potential in rural areas by promoting various income generating economic activity, the banks have made a beginning in 1987-88 in financing non-farm sector activities under the refinance support of the National Bank for Agriculture & Rural Development (NABARD). Such finance will cover farmers, agriculture labourers, rural artisans and other small rural enterprises.

Yet another area of diversification in rural credit field will be financing of rural housing to farmers by the LDBs. for which the Govt. have taken a policy decision recently identifying the suitability of these banks for the purpose considering their term lending expertise in agriculture. A National Housing Bank has been established in 1988 particularly to support house building activity in the country and the Federation of LDBs is presently engaged in negotiating with this Bank for securing resources to the member LDBs for financing rural housing. A beginning will be made during 1989-90 in undertaking housing

finance in a few banks and on a selective basis.

It has been a constant endeavour to diversify and broaden the operations of the LDBs in the rural credit field and it can now be said that these banks finance not only agriculture but also other two major areas of non-farm sector and rural housing. This position has made them to face the competition in the rural credit field more effectively.

Short-comings :

Although the LDBs have expanded their operations, their performance suffers from a number of inadequacies. The total membership coverage of the banks is about 10 million as against 82 million farm holders in the country. The progress of LDBs is not uniform throughout the country. Regional disparity is observed in a few States in dispensation of rural credit. The eastern and north-eastern States account for only a small share in total credit provided. The banks are not able to expand the branch net-work because of limited term lending operations and structural viability. The banks are also facing a number of problems in their working, some important ones are indicated below:

Overdues :

Increasing level of overdues is a disturbing feature of rural credit and LDBs are no exception to this. The percentage of overdues to demand has increased in the last 3-4 years mainly because of serious drought conditions experienced in the country. The high incidence of overdues has choked the flow of credit because of certain financial disciplines. Several other external factors on which the banks have no control, have also contributed to the growth of overdues. The banks are however hopeful of recording substantial improvements during the current year because of good crop conditions.

Constraints of resource :

After active involvement of Commercial Banks in rural lending through massive rural branch expansion programme, the share of LDBs in NABARD refinance support has declined over the years. As nonbanking institutions depending mostly on refinance support of NABARD, LDBs are facing the problem of resource for lending. The Federation of the LDBs has therefore drawn a scheme for raising deposits to supplement the resources and lend it remuneratively for certain developmental

purposes. The scheme is under active consideration of NABARD and the Reserve Bank of India (Central Bank).

Lending eligibility :

The banks are subjected to certain discipline by NABARD to regulate their lending in relation to recovery performance. This has placed them into a disadvantageous position as compared to commercial banks which can lend without any such restriction from its resources.

Lending rates and margins :

One of the major problems of LDBs is the non-viability of agricultural credit operations in the context of growing cost of funds borrowed and static lending rates fixed by Govt. The cost of retailing credit of the banks is constantly on the rise without any corresponding increase in the margin or substantial increase in credit operations. Unlike banking institutions, LDBs cannot cross-subsidise the loss from other operations. On a portion of credit business, the banks are incurring losses because of negative margin. The entire question of interest margin requires reconsideration as the banks cannot operate with inadequate margin. It has already affected the profitability of the banks and viability of the credit structure.

Service area approach :

The RBI has recently introduced the new concept of 'Service Area Approach', under which each branch of commercial bank and RRB has been assigned a specified number of villages for assessment of potential for financing and orderly development of credit. It is envisaged under the scheme that the co-operatives and commercial banks will operate as two parallel credit delivery channels in all areas. The activities of both the commercial banks and co-operatives are expected to be co-ordinated. Although the new dispensation is a major step to improve the quality and productivity of rural lending, the co-operatives have serious apprehensions that this will affect their business and competition may become more severe in the rural credit sector in future between the commercial banks and the co-operatives.

Programme :

The LDBs are expected to perform a much bigger role during the VIII Five Year Plan period 1990-95 as a lending programme of Rs.7825 crores has been projected for them by their national Federation consisting of Rs.6675 crores for farm sector, Rs.650 crores for non-farm sector and Rs.500 crores for rural housing. The annual advances are expected to increase from about Rs.900 crores (projected) in 1989-90 to Rs.2070 crores during the terminal year of the VIII Plan, i.e. 1994-95. The rural housing is altogether a new line of activity for the banks which is expected to take off only during the VIII Plan. In the farm sector, minor irrigation is given highest priority. The banks are also expected to increasingly finance high priority areas of dryland farming and wastelands development. In the non-farm sector, the banks will finance besides artisans, village and cottage etc., agro-processing industries, cold storage, godowns, market yards etc. which will result in realising better returns to the producers. The share of credit to small farmers and weaker sections including under the Integrated Rural Development Programme (IRDP) and other priority programmes is likely to rise during the VIII Plan period and expected to be about 75% of the annual advances of the banks. For more intensive financing and for effective supervision, the banks will be required to expand their branch net-work substantially in a phased manner during the VIII Plan period.

**The
Asian
Confederation
of
Credit
Unions**



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A credit union is a group of people who join together to save money and make loans to one another at low rates of interest. It is a financial cooperative organized by people sharing a common bond. This could include workers in the same factory, persons having the same profession, residents of a community, members of a church, to name a few examples.

As a cooperative, the credit union is a democratic and non-profit organization. Members invest a small amount, called a share, and this makes them owners of the credit union. The member-owners control the credit union through an elected board of directors who set policy and may appoint a manager. Committees (credit, supervisory, education and others) are set up with elected or appointed members to ensure increased democratic participation in the credit union.

The credit union is not just a financial institution; its special interest is the socio-economic improvement of its members. Emphasis is placed on *socio-economic* because true development cannot come with material progress alone. *Human development* is thus an important concern to credit unions. An Asian government cooperative officer has said that "a major contribution of credit unions is the education of both the individual and the community in the development of habits of thrift and wise use of credit, which result in socio-economic betterment. The attitudes of trust and confidence fostered by them contribute to the development of human resources, the most important factor in community and national development."



ACCU

ASIAN CONFEDERATION OF CREDIT UNIONS

How is ACCU governed ?

The General Meeting, held biennially, is ACCU's supreme body. Two delegates represent each member country at the General Meeting. Five to fifteen of these delegates form the Board of Directors. Members of the Board choose from among themselves a president, a vice president, and a secretary-treasurer, who, together with the General Manager, as ex-officio member without vote, comprise the Executive Committee. The General Manager acts as the chief executive officer of the confederation.



Thai farmer greeting CU friend from PNG.

• The credit unions' reputation for self sufficiency and reliability (i.e., very low rates of delinquency) has attracted the attention of governments as well as private development organizations, making available more productive loan sources that allow members to further improve their opportunities for livelihood and betterment.

With the exception of India and the Philippines, credit unions were introduced to ACCU's current member countries in the 1960s. Since then Asian credit unions have increased greatly in numbers, with a total membership of some 2,230,434 persons by the end of 1987. (Please see statistical table below.)

Country	Number of Chapters	Number of CUs	Number of Members	Share
Bangladesh	1	19	18,195	
Hong Kong	-	51	30,579	12
India	4	136	174,656	63
Indonesia	-	1,322	155,580	6
Japan	6	66	9,505	4
Korea	13	1,251	1,321,833	1,610
Malaysia	-	220	14,000	1
Papua New Guinea	-	35	89,541	45
Philippines	23	83	28,290	17
Republic of China	15	320	75,330	102
Sri Lanka	26	3,685	265,375	11
Thailand	9	389	47,550	6
Total	97	7,577	2,230,434	1,881

Note : All figures as of December 31, 1987, except Papua New Guinea

* Figures in US Dollars.



ACCU President and GM get warm welcome from CU members in Sri Lanka.

ACCU currently has twelve member organizations in as many countries in Asia. Inquiries pertaining to credit unions and their activities at local, regional and national levels may be sent directly to ACCU's member organizations. The list of their names and addresses can be found on the reverse side of this brochure.

* Deposits	* Loans Outstanding	* Reserves	* Assets
1,60	771,725	52,578	1,002,746
1,11	9,798,720	596,971	14,235,331
1,21	49,979,448	4,560,420	51,646,409
1,004	6,900,671	315,552	8,114,258
1,737	2,749,936	476,490	4,583,227
0,000	1,307,352,000	29,095,000	1,755,708,000
0,000	1,500,000	80,000	1,680,000
0,310	57,828,390	3,177,192	86,311,734
0,713	13,519,342	1,174,600	22,212,690
0,619	97,097,456	7,709,705	120,849,870
1,313	18,766,667	433,333	2,266,667
1,117	6,558,636	461,524	8,054,544
1,616	1,572,822,991	48,133,365	2,076,665,476

Credit unions light the way.

2 ND MEETING OF THE ICA SUB-COMMITTEE FOR
ASIA ON COOPERATIVE FINANCE ; SEOUL, REPUBLIC OF KOREA

COUNTRY PAPERS

ON

RECENT TRENDS & DEVELOPMENTS IN THE
FIELD OF COOPERATIVE FINANCE IN THAILAND

BY MR. NARONG MARUKATUT
DIRECTOR,
THE COOPERATIVE LEAGUE OF
THAILAND

RECENT TRENDS & DEVELOPMENTS IN THE
FIELD OF COOPERATIVE FINANCE IN THAILAND

1. Introduction

Thailand is an agricultural country, about 80% of the population are engaging in farming. Over the past decade Thailand has faced many socio-economic problems which need to be resolved. Slow economic recovery, income disparities, unbalanced population growth and unemployment all these had an impact on the socio-economic problems Thailand is now facing. Inequality in the standard of living and income distribution between rural and urban population has resulted in massive migration to Bangkok and other urban areas. To reverse this situation, the government is committed to support the rural poor as one of the priority target sectors by placing special emphasis on the development of these activities which will enhance the quality of life.

The cooperative in Thailand is generally accepted as dating from 1916 when the first cooperative society was established with a group of 16 members in the rural area of Pitsanuloke Province as a village cooperative of the Raiffeisen model on the initiation of the Government of the time. At present there are six types of registered cooperative, namely agricultural, land settlement, fisheries, thrift and credit, consumer and services. As at 1 January, 1988 there all these six types of cooperative societies in this country numbered 2,634 with the total membership of 2,847,954 persons/families. The three types are officially grouped into agricultural cooperatives. The latter three types are grouped as non-agricultural cooperatives.

2. Financial Institute of the Cooperatives

According to the cooperatives in Thailand have not their own financial institution. In 1943, a Bank for Cooperatives was formed to serve financial institute of the cooperative and to take the place of government's direct lending. It was superseded in 1966 by the Bank for Agriculture and Agricultural Cooperatives (BAAC) with authority lend individual farmers, farmer associations in addition to agricultural cooperatives. Functioning as the apex bank for agricultural cooperatives, at present BAAC has 70 branches and 582 field units operating in all 73 provinces. As a main agricultural credit institution owned by the Governments, BAAC is increasing a significant role in supporting Government program to strengthen cooperative business in marketing, purchasing as well as to help cooperatives, which would become the primary lending institutions for small farmers, to provide credit services to their members more effectively.

As mentioned, BAAC is the most important financial institute for agricultural cooperatives. About 80% of the total capital of agricultural cooperatives is borrowing from BAAC. The amount of loans extended to agricultural cooperatives by BAAC is increasing considerably. It was increased from about $\text{฿ } 3,181$ million in 1985 to about $\text{฿ } 3,658$ million in 1986, or 15% increased from the previous year by an average of 15% per year. The purposes of loans extended to agricultural cooperatives are for 4 different purposes:

1. Loans for on lending to membership in accordance with cooperative regulations;

2. Loans for purchasing farm inputs and equipment for resale to members;
3. Loans for purchasing and marketing members' agricultural products; and
4. Long term loans for investment in fixed assets.

It is apparent that about 97.5% of loans disbursement in 1986 to agricultural cooperatives was for on lending to membership while 0.71% and 1.83% for purchasing agricultural inputs and marketing agricultural products respectively.

Besides BAAC, cooperatives also get financial support from the Government through the Cooperatives Promotion Department (CPD) for purpose mainly to improve real estate, to construct storage and processing facilities, to procure transport facilities and to collect agricultural products from their members. In addition, the commercial banks are also delivering agricultural credit to agricultural cooperatives, but on limited amount.

3. Policies for Development of Financial Institute of Cooperatives

3.1 The Cooperative League of Thailand (CLT) is one of of the National Cooperative Organizations. The policies in cooperative development according to the perspective plan of action for the period 1988-2003, establishment of the National Federation of Financial Cooperatives (NFFC). To promote the National Federation of Financial Cooperative in the cooperative movement, set up a working group in Cooperative financing representing the CLT, ACFT, CPD, CAD, BAAC and ICA consultant. To encourage every cooperative to seek approval from its

respective general meeting to become share holder of the NFFC. The purposes of this policies are as follows :

- 3.1.1 Cooperative movement should have its own financial system based on the cooperative principles and methods.
- 3.1.2 Promotion of self-help and mutual-help.
- 3.1.3 Promotion of stability and security of cooperative movement. Every level of cooperative should involve in this efforts.
- 3.1.4 Promotion of saving and thrift among members and family.
- 3.1.5 To create and improve training system for cooperative financial activities.
- 3.1.6 To create, improve, and render new types of services to cooperative and members in need.

3.2 The Sixth Nation Plan (1987-1991) has set out the the policies and plan for cooperative development, to support the cooperatives in the improvement of operating efficiencies so that they could be able to function as the real integral system of economic and social unit by the following ways :

- 3.2.1 Government agencies in central administration responsible for cooperatives must help increase efficiency of the cooperatives in business activities.
- 3.2.2 Financial institutions must support cooperatives in providing credits for production and marketing at the reasonable rate of interest, etc.

4. Problems and Obstacles

Since Thailand is an agricultural country, therefore, more emphasis is put on the development of agricultural cooperatives with the purpose of utilizing them as a means of the rural development. The inclusion of extension services appears to have had appreciable results not only in improving farm practices, but also diversifying production, thus opening up new sources of income for farmers.

However, there are many problems hampering the growth of cooperative in Thailand. The most crucial problem is lacking of adequate financial resources for the cooperative to perform their activities efficiently and effectively due to the absence of appropriate financial institution with in the cooperative movement. It also has been felt that little concern or responsibility on the part of members together with the lack of trained competent cooperative staff, particularly in the field of management and financial analysis have been the main cause of failure and unsatisfactory performance of cooperatives.

Keep in Sri Lanka file

PAPER ON AGRICULTURAL/CO-OP FINANCE COOPERATIVE SECTORS
IN SRI LANKA

PRODUCED BY RANJIT SAMARASINGHE

PRESENTED AT THE JOINT MEETING OF THE I.C.A. SUB COMMITTEE FOR ASIA
ON AGRICULTURE/COOPERATIVE FINANCE IN SEOUL, REPUBLIC OF KOREA
ON THE 17TH/18TH MAY, 1989.

* SRI LANKA

* BRIEF REVIEW OF GOVERNMENT'S ROLE IN THE
COOPERATIVE MOVEMENT (1911 - 1978)

* AGRICULTURAL CO-OPERATIVES AND RURAL CREDIT
INSTITUTIONS - Problems/Development Needs

* NATIONAL POLICIES

* TRENDS

SRI LANKA

CAPITAL

Sri Jayawardenapura

COMMERCIAL CENTRE

Colombo

LOCATION

Latitude 5 55' to 9 50' N
Longitude 79 42. to 81 52' E

AREA

65,610 sq.km.
(25,332 sq. miles)

POPULATION 1987

Sri Lanka 16,361,000
Colombo 683,000

RATE OF POPULATION GROWTH

15%

POPULATION BY RACE

Sinhalese
Sri Lanka Tamils
Indian Tamils
Sri Lanka Moors
Others

PERCENTAGE

74
13
6
7
Negligible

POPULATION BY RELIGION

	%
Buddhist	69
Hindus	15
Muslims	8
Christians	8
Others	Negligible

POPULATION DISTRIBUTION

	Urban	Rural
	22	78

GOVERNMENT STRUCTURE

The Government consists of the President elected by the people, who is the Head of State, Head of the Executive, and of the Government. The Prime Minister, who is the leader of the Parliament, and a Cabinet of Ministers, are nominated by the President from among members of the Parliament elected by the people.

LITERACY RATE

	<u>%</u>
Total	87
Males	91
Females	83

LIFE EXPECTANCY AT BIRTH

Males	68 years
Females	72 years

TOPOGRAPHY

The coastal area and northern half are flat, the south central area is hilly and mountainous.

AVERAGE TEMPERATURE

	<u>Maximum</u>		<u>Minimum</u>
Colombo	30.4 C (86.7 F)		24.0 C (75.2 F)
Kandy	28.7 C (83.7 F)		20.2 C (68.4 F)
Nuwara Eliya	20.2 C (68.4 F)		11.4 C (52.5 F)

RAINFALL - Distribution

The average annual rainfall varies from about 800 mm (32") to about 5000 mm (200"). The southwest quarter and the central region of the island together constituting a little more than a

third of the island receive more than 2000 mm (80") with the high amounts of between 4000 mm (160") and 5000 mm per year being restricted to the western slopes of the central hills and the Knuckles range in the north eastern hill country. A little less than two thirds of Sri Lanka receives less than 200 mm per year. The lowest average annual rainfall of less than 1000 mm (40") is confined to the extreme northern, northwestern and the southeastern regions of Sri Lanka.

Seasonal Distribution

March/April	- Conventional (Inter monsoonal)
May thro' September	- South West Monsoonal
October/November	- Conventional/Cyclonic/Depressional (Inter-monsoonal)
December thro' February	- North East Monsoonal/Depressional

RICE CULTIVATION SEASONS

- (1) Maha - September to March
- (2) Yala - April to August

GROSS NATIONAL PRODUCT (GNP) AT CURRENT PRICES

1987 - Rs. 123,395 million

SECTORAL COMPOSITION OF GNP, 1987

	%
Agriculture, Forestry and Fishing	24.2
Wholesale and Retail Trade	21.6
Manufacturing	16.5
Transport, Storage & Communications	11.9
Construction	7.4
Public Administration and Defence	4.8
Banking, Insurance and Real Estate	4.8
Services	3.9
Ownership of Dwellings	3.1
Mining and Quarrying	2.8
Electricity, Gas, Water and Sanitation	1.3
Adjustments	-2.3
Total	100.0

BALANCE OF TRADE

	1983	1984	1985	1986	1987
	(Rs. Million)				
Exports	25,183	37,006	35,035	34,092	39,861
Imports	42,021	46,913	49,069	51,281	59,750
Balance of Merchandise Trade	-16,838	-9,907	-14,034	-17,189	-19,889

MAIN EXPORTS, 1987

(Rs. Million)

Garments	12,321
Tea	10,653
Rubber	2,915
Petroleum Products	2,375
Gems	1,447
Desiccated Coconut	1,101
Diamonds	829
Marine Products	594
Coconut Fibre	458
Cinnamon	445
Textile & Textile Articles	362
Ceramics	333
Rubber Products	314
Pepper	285
Coconut Oil	242
Brooms, Brushes & Dusters	233
Articles of Iron & Steel	223
Activated Carbon	196

MAIN IMPORTS, 1987

(Rs. Million)

Machinery	8,407
Petroleum Crude Oil	7,028
Base Metals & Articles	4,063
Synthetic Yarn, Fabrics	3,712
Cotton Fabrics	2,989
Motor Vehicles	2,978
Sugar	2,165
Knitted or Crocheted Fabrics	1,722
Chemicals	1,595
Artificial Resins & Plastic Materials	1,548
Other Transport Equipment & Parts	1,475
Wheat	1,410
Newsprint	1,387
Gas Oil	1,334
Fertilizer	1,291
Powdered Milk Solid Form	1,151

AGRICULTURAL PRODUCE

Rice, Tea, Rubber, Coconut, Cinnamon, Cardamom, Cloves, Pepper, Nutmeg & Mace, Coffee, Arecanut (Betelnuts), Sesame Seed (Gingelly Seed), Cocoa, Tobacco, Betel Leaves, Papain, Cinnamon Leaf Oil, Cinnamon Bark Oil, Citronella Oil, Fresh Vegetables, Fresh Fruits, Cashewnut.

Sri Lanka is the second largest exporter of tea accounting for 21% of total world tea exports; fourth largest exporter of rubber and the largest producer of Pale and Brown Crepe Rubber; largest producer of Cinnamon accounting for 70% of total world exports; second largest exporter of Desiccated Coconut, accounting for 36% of world exports, and 71% of the European market; the largest exporter of Brown Coir Fibre and produces 1/3 of world production of Coconut Fibre.

WEIGHTS AND MEASURES

The Metric System of Weights & Measures is in use.

A BRIEF REVIEW OF THE GOVERNMENT'S ROLE (1911 - 1928)

The Co-operative Movement was started in Sri Lanka way back in 1911. This was done on the initiative of the Government as happened in the other territories ruled by the British at that time, such as India and Malaysia.

The Movement did not grow from the bottom upwards as it did in the countries of its origin and in the other developed countries of the West. The British knew, from their own country's experience as well as that of other European countries, the power that the people would wield through the growth of genuine co-operative movement. This did not suit their imperial policy. Therefore in India (where they started the movement in 1904) and later in their other territories, the British promoted the movement in such a way that it was ultimately under the control of the State. The Registrar of Co-operative Societies had by law the ultimate responsibility for the functioning of the Movement. It was he who prescribed the model By-laws of Co-operatives, gave sanction to their investments, borrowing limits, etc., and generally acted as their guide, philosopher and friend.

But true to the tradition of British liberalism, the Government did not interfere with the Registrar. He was free to develop the movement as close to the ideal as was possible under the law and he acted in almost full accordance with the Co-operative Principles. So a voluntary and near autonomous movement developed slowly but surely. When we became independent, it would have been a natural development if the Government of free Ceylon had removed the few laws which denied autonomy to the co-operatives and thereby created the necessary legal atmosphere for

the growth of a genuine Co-operative movement, truly voluntary and fully autonomous. But contrary to expectation, the Government gradually took away from the movement much of the independence it had enjoyed under the British and from the Registrar the position he had hitherto held of being the final authority in matters co-operative. The powers of the Registrar were gradually extended *de jure* but it was the Minister in charge of Co-operative Development who exercised them *de facto*. The powers assumed by the Government in this way were gross violations of Co-operative Principles and such that the British would not have dreamt of. Gradually what mattered in Co-operative Development was not whether the co-operatives were functioning in accordance with the Co-operative Principles but whether they were functioning in accordance with the policy and wishes of the government in power. The movement was politicised. The fact that the registration of a co-operative society made it a body corporate was exploited by the Government to get many an enterprise which was not co-operative undertaken by the co-operatives. The power of the Registrar to supersede a co-operative's Committee of Management/Board of Directors, which had mismanaged the affairs of that co-operative was misused for removing political opponents from co-operative office and for rewarding political favourites by appointing them to the vacant positions. With each new government the position grew worse. Each Government in turn took power under the Rules to nominate one or more persons to the committee of a co-operative and under the by-laws of M. P. C. Societies to nominate ten out of fifteen members of the Board of Directors of each such society. The extent to which the movement had been politicised is seen from the fact that the model by-laws to this effect were accepted by the co-operatives without a murmur. In the alternative such acceptance shows the extent of the frustration that had set in among the people by then. This change in the character of the directorate made the M.P.C.S., the type of co-operative which most affected the daily lives of the people,

virtually a government concern. The elected one-third of the Directorate were helpless vis-a-vis the nominated Directors who took their cue from the Government. The elected Governments have from time to time taken the extreme step of taking power to dissolve the Committee of Management of many co-operative and appoint persons in their place to manage the affairs of such society and such appointed persons have been given by the same law (Co-operative (Special Provisions) Law No. 12 of 1978) All the power, rights and privileges of the Committee as well as the general body. The only silver lining to this dark cloud is that this power has been taken only for a period of 18 months.

Under the previous Governments nominations of persons to be directors of Multi-Purpose Co-operative Societies have been made by the Commissioner of Co-operative Development cum Registrar of Co-operative Societies on the recommendations made by the local Members of Parliament to the Minister. Thus the M.P.C.S. has become an arm of the local M.P. ! It is no longer a co-operative except in name ! Furthermore the M.P.C.S. is an agent of the government for many a purpose - Consumer distribution, agricultural credit and purchase of agricultural produce - and as such it is directed by the Government Departments concerned and the directorates and general bodies of these societies have no say in regard to these matters. For example, agricultural loans have to be given on the lines laid down by the Government and not in accordance with norms fixed by the Society's Board of Directors or general body. Thus co-operative standards of lending no longer apply to agricultural loans.

Many other types of co-operatives too have been subjected to the nomination of directors by the Government as well as other forms of interference. Fortunately the Co-operative Credit Societies, the first type of co-operative to be started in Sri Lanka, have not been interfered with. And the Co-operative Credit Society of unlimited liability still remains the co-operative par excellence in the country as, indeed, in the rest of S. E. Asia.

AGRICULTURAL CO-OPERATIVES

Number of Agricultural Co-operatives in Sri Lanka and Members

Levels	No. of Co-operatives	No. of Individual Members
National	05	602
District	02	111
Primary	602	62,608 *

* Membership of Multi Purposes Co-operatives involved in the agriculture has been excluded.

No. of Co-ops excluded - 168 out of 283
No. of Members - 1.1 million

Number of Societies engaged in agro processing sector

Levels	Number	Field of Agro Processing
District	02	Tea Manufacture
Primary	94	Processing Paddy

Total number of Employees working in agricultural co-operatives in the country.

(Farmers not included.)

Level	No. of Employees
National	346
District	75
Primary	1,745

Total	2,166
	=====

Since 1947 Agriculture Produce and Sales Co-operative Societies have been in existence in the country.

These societies were established with a view to giving the farmers the necessary strength to act in unison to achieve their objectives and help them obtain fair prices for their produce.

Because of their success the members of societies increased from 47 in 1948 to 955 in 1957 with an annual turnover of Rs. 14.0 million.

However, a major change in the organisational structure of the Co-operatives Movement took place in 1971. These produce and Sales Co-operatives were amalgamated with Multi-Purpose Co-operative Societies. The objective was development oriented to increase production as well as introduce a system to market produce in rural areas and ensure farmer service necessary inputs for agriculture. Unfortunately, these objectives were never realised.

Multi-Purpose Co-operatives engaged only in consumer service and failed to perform as Multi-Purpose Co-operatives.

PROBLEM AREAS

- 1) Handling, Packaging, Transportation and Storage of Agricultural Produce.
- 2) Lack of Planning in Agricultural Production.
- 3) Poor Inputs and scramble for Resources required in Agricultural Production.
- 4) Management Limitations.
- 5) Lack of Co-operation amongst Farmers.
- 6) Farmer Education and Quality Assurance.

CO-OPERATIVE CREDIT INSTITUTIONS

The need for rural credit for agricultural purposes was recognised as far back as 1904 when Sri Lanka was a colony of the British Empire.

It was in 1904 that the first credit society was formed and registered as the Dumbara Credit Society.

The purpose was to provide assistance to small and needy farmers to carry out agricultural activities.

In 1911, after an initial study ordinance no. 7 of 1911 was passed whereby the Co-operative Credit Societies became a reality.

Thereafter it was a continuous study, appraisal, revamping and strengthening of the movement under the guidance of the colonial administrators.

In 1927 the Credit Societies were separated from the Agricultural Co-operative Societies and operated independently.

CO-OPERATIVE SOCIETIES IN EXISTENCE DURING PERIOD 1914 - 1931

Year	Societies	Total Membership	Share Capital	Deposits Rs.
1913/14	37	1820	8,200/=	-
1914/15	54	3850	18,781/=	30/=
1915/16	55	4068	-	-
1916/17	71	6027	32,996/=	487/=
1917/18	92	9551	48,549/=	2,646/=
1918/19	113	11310	68,063/=	4,773/=
1919/20	136	15200	99,284/=	6,499/=
1920/21	154	17896	122,077/=	10,351/=
1921/22	169	19957	150,355/=	16,381/=
1922/23	208	23322	188,690/=	21,023/=
1923/24	222	27757	238,607/=	29,562/=
1924/25	257	30548	281,479/=	43,026/=
1925/26	315	34264	362,987/=	57,075/=
1926/27	303	35112	437,311/=	67,689/=
1927/28	360	33057	497,476/=	114,162/=
1928/29	383	29970	488,415/=	134,729/=
1929/30	459	22418	471,221/=	245,331/=
1930/31	600	24068	505,108/=	503,611/=

CO-OPERATIVE CREDIT SOCIETIES 1930-1942

Year	Unlimited Liability Societies	Limited Liability Societies	Thrift Societies	Total
1930/31	540	18	18	576
1934/35	857	26	61	944
1937/38	1051	58	96	1205
1939/40	1302	93	119	1514
1941/42	1519	103	164	1786

The Tables given before indicate that the number of societies stood at 600 in 1931 and shows an increase of 141 societies over the previous year. 540 of these were unlimited liability credit societies. The membership increased by 16.50 as against the previous year. Membership figures show a decline from 35,112 to 22,418 after 1926 upto 1930.

The period upto the end of the year 1942 could be described as the era of Co-operative Credit Societies. These societies were of immense benefit to the rural population who otherwise would have been forced to seek refuge in unscrupulous money lenders. Besides these societies served as training grounds for rural folk to run co-operative societies.

PROBLEMS THEN

- 1) Poorer farmers with small holdings did not have a place in these societies.
- 2) Lack Volunteers to manage.
- 3) Those available were inefficient/dishonest.
- 4) Credit for purposes other than agriculture not met, Landless therefore had no interest.

The above drew comments of disappointment on failure of Co-operative Credit Societies to eradicate or reduce rural indebtedness/increase agricultural production.

During the second world war there was a phenomenal increase in the number of consumer Co-operative Societies which turned out to be the network used by the Government for fair distribution of scarce commodities at reasonable prices in the face of black marketeering by unscrupulous private traders. Numbre of Co-operative societies zoomed to 4004 in 1945 from 845 in 1942.

Many socio-economic changes took place in the country after the war and the country gained Independence in 1948.

A new type of Co-operative Society called Co-operative Agricultural Production and Sales Societies (popularly known as CAP) were formed, to cater to the production and credit needs of the farmers.

In 1957 the single purpose societies were merged into multi-purpose Co-operative Societies. The credit societies continued to operate separately on their own. The M.P.C.S.s failed to meet the multifaceted needs of the community for which they were set up.

Subsidised services to farmers by government at this stage reduced the importance of agricultural credit. This reflected in a decline in the number of active societies since 1964 when 170 Thrift Societies ceased to function.

At the end of 1978, there were 935 active credit societies out of a total of 2350. The decline in the number of societies continued in 1989, until revitalisation of credit societies commenced in the same year.

In August 1979 a national level Apex organisation was formed to boost the credit societies movements.

In 1985, the Co-operative Departments granted authority for credit societies to function as banking institutions.

Today the Thrift and Credit Co-operative Movement is comfortably placed but face its own problems.

PROBLEMS

- 1) Education and Propaganda.
- 2) Leadership
- 3) Membership
- 4) Scope of Activities
- 5) Inadequate Management skills
- 6) Unskilled Employees
- 7) Inadequate Infrastructure

THE CO-OPERATIVE RURAL BANKS

The Rural Bank Scheme was a project initiated by the People's Bank in March, 1964 to full fill a statutory obligation set out in the People's Bank Act No. 29 of 1961. Section 4 of the said Act states thus "the purpose of the Bank shall be to develop the Co-operative movement of Ceylon, rural banking and agricultural credit".

The People's Bank selected the Multi-purpose Co-operative Societies to operate this scheme as it possessed several advantages and thought primary M.P.C.S. could handle simple banking transactions.

The Bank was aware of the fact that the village level M.P.C.S. could conduct banking business effectively with the small farmers, small industrialists or artisans because of its intimate knowledge of village persons, problems and conditions. The close proximity to the villagers, flexibility on working hours, low operational cost, swift processing of loan applications and particularly the branch network were special advantages the M.P.C.S. possessed which lead to select the M.P.C.S. for implementation of this scheme. The Rural Bank was given a prominent place in the M.P.C.S. organisational structure.

With the expansion of the branch network and the development of its resources the rural banks were expected to perform additional functions by developing links with other departments of the society.

RESOURCE MOBILISATION AND UTILISATION

As at 31/12/88

No. of Co-operative Rural Banks	- 970
Total Deposits	- Rs. 1908.0 million
Pawning Advances	- Rs. 420.5 million
Short Term Loans	- Rs. 408.5 million
Deposits with commercial banks	- Rs. 829.0 million
Ratio of Member to non member deposits	- 33 : 67 %

After 1971, with the reorganisation Co-operative Rural Banks attained an islandwide coverage.

LOAN DISBURSEMENTS

Agriculture	15.0 %
Animal Husbandry	4.4 %
Small Industry	5.4 %
Housing	56.6 %
Debt Redemption	7.0 %
Trade	4.2 %
Consumer	2.6 %
Electrification	1.4 %
Others	3.4 %

PROBLEM AREAS

- 1) Poor Supervision
- 2) Lack of Planning

NATIONAL POLICIES

BACKGROUND

In the many workshops and seminars held from 1980-1986, some of the needs facing the Co-operative Movement that were constantly surfaced were the need for a Policy on co-operatives and a long term plan for the development of the movement. In addition to being taken up at these workshops and seminars, these needs were also discussed regularly at various official levels since 1980. The Swedish Co-operative Mission which visited Sri Lanka in order to identify possible areas for future collaboration as well as the Policy-Maker's Conference held in February 1986, were of the view that there should be a properly enunciated co-operative policy and plan in keeping with the overall development requirements of the Movement. Following from this concern, the Swedish Co-operative Center in collaboration with the Department of Co-operative Development and the National Co-operative Council of Sri Lanka Sponsored this workshop to discuss the issues pertaining to the formulation of a Co-operative policy and a long term plan as well as the suitability of the present structure of the Co-operative Movement to attain development goals.

The workshop set for itself the following broad objectives:

1. Identify the role of the Co-operative Movement in the national development process.
2. Identify and assess the strengths and weaknesses of the contemporary systems in order to perform the roles as outlined in objectives (1).

3. Suggest broad outlines for the formulation of a co-operative policy and strategy to implement such a policy.
4. Suggest the institutional mechanism and resources necessary for the development of a perspective plan for the co-operative sector.

CONCLUSION AND RECOMMENDATIONS

1. Co-operative Policy

1.1 The need for a government policy in regard to co-operatives in the context of the following circumstances the Co-operative Movement has to face was highlighted:

(a) The fact that pronouncements regarding Government plans for the future make no reference to the co-operative sector.

(b) The fact that notwithstanding the absence of a guiding and supportive policy a useful role is being performed by the Co-operative Movement in the following areas of activity affecting the life of the nation:

- Provision of essential consumer goods at reasonable prices, maintaining relief schemes, maintaining buffer stocks during periods of calamity and thus ensuring food security and price stability ,
- Provision of inputs and facilities for agricultural production, processing and marketing.
- Organization and assisting of small scale producers such as fishermen, artisans and craftsmen etc.

- Provision of institutional support for mobilising savings and encouraging thrift as well as the provision of credit at reasonable rates of interest, and,
- Provision of extension services in respect of family health and assisting the education, and training of personnel for such services.

1.2 There are other areas such as production, processing and marketing of local produce, export and import, and medium scale industries in which the co-operatives could perform a significant service to the community. The Workshop addressed itself to identifying the constraints and limitations facing Co-operatives in undertaking development in such areas and to suggesting the kind of government assistance necessary for supporting such activities. The following suggestions were made:

1.2.1. As there is some ambiguity regarding the place of Co-operatives in the economy it was suggested that the Government be requested to make a policy declaration as to whether the co-operatives are to be treated as private sector enterprises or as a separate sector by itself. It was felt that in the absence of such a clear stand it would be difficult for the Movement to play a more positive and dynamic role in keeping with socio-economic needs and aspirations of the community. Quite apart from the special status that should be accorded to the co-operative sector, it should be allowed to function as an independent one with a degree of independence consonant with its democratic principle.

1.2.2. The Workshop recognized the need for legislation on co-operatives and recommend that co-operative legislation should enshrine the basic co-operative principles as accepted by the International Co-operative Alliances.

- 1.2.3. The Government should be requested to extend assistance to the Co-operative Movement in the performance of its role in the national development process. It was felt that the Government should extend concessions such as tax relief, concessionary rates of interest, complementary infrastructure facilities, subsidies to potentially viable economic enterprises and subsidies wherever tasks have to be carried out by the co-operatives in the interest of social welfare (e.g. food stamp scheme). In such instances adequate and continuing assistance needs to be provided so long as those services are required to be performed by the co-operatives.
- 1.2.4. The Government should restore those privileges conferred previously by the government and recently withdrawn (e.g. removal of exemption from stamp duty) including those that had been conferred by statute. The existing privileges must be preserved.
- 1.2.5. Annual budgetary allocations must be made for co-operative development by the Government because the Co-operative Movement helps to build a people's democracy at the grassroots level and ensures the participation of the people in the national development process. Such provision should be complementary to the provisions of the Department of Co-operative Development and the Sri Lanka Institute of Co-operative Management.
- 1.2.6. The Government should take steps to include "co-operation" as a separate subject at appropriate levels in the public school curriculum, provide facilities for the training of teachers on "co-operation", and also include it in the curriculum of the national education plan.

- 1.2.7. Encouragement should be provided by the Ministry of Education to organize and develop school co-operatives.
- 1.2.8. The Government should assist the Co-operative Movement to strengthen itself by enabling to undertake banking, insurance, import and export, and wholesaling at district and national levels.
- 1.2.9. The powers of the Registrar of Co-operatives should be progressively confined to regulatory functions. The development should be undertaken by the Co-operative Movement itself.
- 1.2.10. There should be a separate Audit Service recognized and supported by the Government to undertake audit of co-operatives set up under the co-operative law.

2. STRUCTURE

- 2.1 The structure of the movement should consist of firstly, primary co-operatives federating at secondary and tertiary levels with provision for an umbrella co-operative organization at national level.

In relation to this issue, the Workshop further felt that the existing structure of the Multipurpose Co-operative Societies has to be changed in accordance with the wishes of the members, in order to facilitate direct member participation, keeping in view the viability consideration. The Workshop was also of the view that efforts should be made to involve the family of the co-operative member in the activities of the society.

2.2. The Workshop recommended that the constitution and the functions of the Co-operative Employees Commission should be studied by a committee in order to make necessary changes.

2.3. The need for a National Advisory Committee on Co-operatives was accepted by the Workshop, but it was suggested that the composition of the existing Ministry Committee be changed to ensure greater representation from the Co-operative sector.

COMMENT

Policy as could be seen is still not formulated and the movement has been allowed to drift with time according to the needs of the day, with considerable governmental interference since inception, away from accepted co-operative principle.

CURRENT TRENDS

The new Minister has impressed upon all connected with the co-operative movement of his interest to draft new legislation to transform the co-operative movement into an independent democratic people's movement and an economic power.

In doing so he has surfaced the following questions

1. What Governmental controls if any ?
2. Whether Co-operatives should be completely autonomous and independent.
3. Whether the movement itself should carry out audits.

4. Should elections be held for positions under the Election Commissioner's Laws or under a set of new laws.
5. Who should qualify to hold office and function as Directors of Co-operatives and what qualifications ?
6. Should not the Co-operative Movement have a tax planning and advisory Board ?
7. How can you draw honest and efficient people with skills to the movement ?

He is presently mapping out strategy to establish agricultural productivity villages with the following objectives in mind

1. To bring economic stability amongst farmers.
2. To develop ways and means of increasing their income level.
3. Raise cultivation of crops to commercial levels
4. To grow identified, most suited and profitable crops in the area.
5. Maximise productivity from every square meter of land available for agriculture.
6. Unite farmers to achieve positive gains.
7. Direct planting on projected sales
8. Form Farmer Producer Societies for purposes of Coordination, Education, marketing and Supply on par with international Standards achieved in other agricultural produce areas such as Tea, Rubber, Coconut and Paddy.

President Premadasa's Janasaviya Programme will also have a tremendous impact on Agriculture as the village market will expand through demand for local pulses and other agricultural produce and the cooperatives will continue to be responsible for issues to those eligible under the programme.

Keep Lanka Poor

THRIFT & CREDIT MOVEMENT IN SRI LANKA
(SANASA)

Joint Meeting of the ICA Sub-committee for Agriculture for Asia &
ICA Sub-committee for Asia on Cooperative Finance
Seoul (Rep. of Korea) : 17-18 May 1989

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Sri Lanka

INTRODUCTION

The Democratic Socialist Republic of Sri Lanka is strategically situated at the tip of the sub-continent of India in the Indian Ocean. Renowned as the "Pearl of the Orient" for its scenic beauty, its fertile soil and treasures in the form of gems and spices from time immemorial, its geographical situation has attracted many a foreign nation to its shores.

This island covers an area of 25332 square miles. It enjoys a tropical climate which contributes towards its lush green vegetation throughout the year. The hills of the country rise upto about 3000 feet above sea level. The population is approximately 16 million and the annual rate of population growth is nearly 1.6 percent. Nearly 76% of the population live in rural areas and most of them subsist on small scale farming. While the Sinhala community is by far the largest ethnic group in the island, there are also Tamils and Muslims with a small splattering of Burghers who are the descendents of the Dutch. Sri Lanka enjoy a comparatively high rate of literacy, which is 90% for males and about 75% for females; the literacy rate thus being second only to that of Japan in the East.

HISTORICAL BACKGROUND OF THRIFT AND CREDIT COOPERATIVE MOVEMENT.

The Thrift and Credit Cooperative Society (TCCS) movement has been in existence for over 75 years, serving the needs of village level citizens of Sri Lanka. The Cooperative movement was started with the founding of its first cooperative society in 1906. From this period to the present, the movement faced many hardships and disturbances associated with growth and events faced by the society as a whole. Its history may be subdivided into the following phases:

- Phase I - 1906 to 1940 (Period of initial growth)
- Phase II - 1940 to 1978 (Continued expansion - Quick decline)
- Phase III - 1978 to 1976 (Reawakened Programme - Continued growth)

These phases represent turning points in the credit cooperative movement, reflecting an upward or downward trend in the quantity and quality of societies making up its membership.

Period of Initial Growth (1906 to 1940)

- (a) The first credit cooperative society, initiated to render small farmer assistance in the Dumbara Valley of Kandy District, represents the beginning of the initial expansion phase of the movement.
- (b) The Credit Cooperative Ordinance No. 7 of 1911, is the first law governing the cooperative movement in Sri Lanka. Passed by the colonial administration, it covered the formation and registration of credit cooperative societies. It came into effect as a result of a report by a government appointed committee examining the feasibility of establishing rural agricultural banks. The Committee system was continued in order to make amendments to this ordinance when needed. Under this ordinance, an mass formation and registration was able to begin, with 3 societies registered as of 1913. By 1940, the movement had grown to 1302 credit cooperative societies of both limited and unlimited liability designations.
- (c) During this era, a number of national cooperative conferences were held in order to create interest in the importance of rural saving and of the role of cooperative societies in serving the interests of the masses. Concurrently, there was interest in these societies by the masses who were brought by problems arising from a very limited and disfavoured rural credit system, dominated by usurious money lenders.

- (d) As the system expanded, so did training in the cooperative ideal and methodology, providing the island with a cadre of rural leaders who understood rural organisation management and credit.

Continued Expansion - Quick Decline (1940 - 1979)

- (a) During the period encompassing the second world war, there was a phenomenal increase in the number of consumer cooperative societies as a result of government efforts to open up a network of retail outlets to insure the fair distribution of scarce commodities at reasonable prices in the face of rampant hoarding and black marketing by unscrupulous private traders.
- (b) Additionally, cooperative agricultural production and sales societies were formed to extend credit to farmers for production purposes.
- (c) Multipurpose Cooperative Societies were introduced in 1957. Later, in 1971, small multipurpose cooperative societies were amalgamated into larger units who maintained branches in relevant geographic areas.

Due to the above-cited changes elsewhere in the cooperative movement, the Thrift and Credit Society (TCCS) system underwent a shrinkage after 1964. This came as a result of shift in its members' interest to the larger multipurpose societies who had more disposable funds for loans and rendered a larger array of service (eg. government subsidised agricultural loans, sale of consumables to members, etc.). The system decreased from 4026 credit cooperative societies in 1964 to just 1300 societies in 1978. This decline brought along with it a host of other problems, such as low morale among the remaining membership, loss of office bearers and members with adequate knowledge and skills to properly run the societies and increased incidence of mismanagement.

Reawakened Programme - Continued Growth (1979 - 1988)

Present strength of TCCS system is the result of a seminar held in 1978 in Walgama. Mr. P.A. Kiriwadeniya, the present President of FTCCS, he himself motivated people to participate Walgama seminar and that was the time the TCCS leaders and the role of individual TCCS activities for the development of their members. In 1978, the Kegalle Thrift and Credit Cooperative Union was registered and Kegalle TCCSU organised Ahasliyadda National TCCS Seminar. It was the first seminar in the history of TCCS movement. TCCS leaders came from all parts of the island and decided to organise District Unions as well as to use TCCS as a vehicle for the rural and the total development. As a result of these 2 seminars, organizational goals changed to emphasis this more developed role.

- * Institutionalisation - to better serve its membership and community
- * Human Resource Development - aiding members in their own efforts at addressing economic and social constraints facing them,
- * Integrated Approach - that the organisation take an active role in aiding its membership and the community to access funds and services available from outside the community.
- * Education and Training - to increase leadership and management skills and organisational efficiency.

To facilitate these changes, previous by-laws were amended to expand the scope of activities in which the TCCS system could engage. This required numerous meetings and conferences to agree on goals, methodologies and amendments.

Institutionalisation

Thrift and Credit Co-operative Societies movement is a voluntary basis peoples' organization. It has four fundamental requirements to organise village level primary (thrift and credit cooperative societies. Basically the people who initiate to organise a society has to demarcate operational area where they are willing to work in the future. There is no such criteria to determine the operational area. It has provided facilities to meet the people very often to share their experience. Each society expects to cover two or three villages with 200 to 300 families.

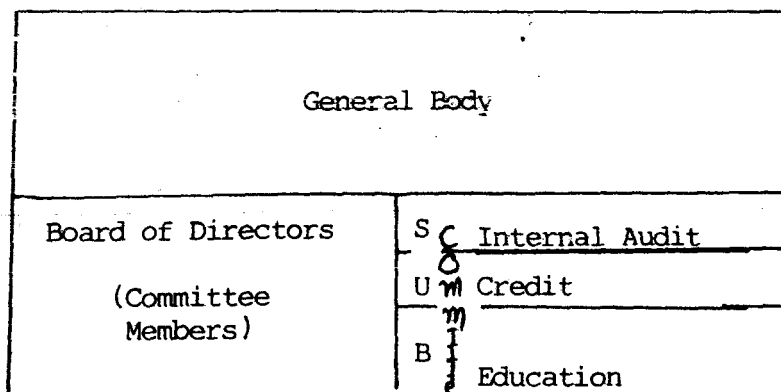
According to the existing cooperative rules and regulations, there must be at least 10 members to organise a PTCCS, but 10 members are not enough to operate a PTCCS. At least there must be 30 - 40 members, and it has to grow upto 200 - 300.

Other basic need is mobilizing financial and other material resources, and collecting and distributing.

In order to mobilize the resources and manage the society, it has to adopt by-laws and operational rules and regulations. Each TCCS has three important parts.

1. General body
2. Board of Directors (committee members)
3. Sub committees

Each part of the organisation must be active and it has different functions and responsibilities.



District Thrift and Credit Co-operative Societies and the Federation also follow the same structure.

Before 1978, little institutionalisation had occurred. No district level union existed in any of the 25 administrative districts in the country. There was no national level organisation existed to coordinate national level activities. On the village level, individual TCCS activities were limited to savings and credit. Meetings were held once a month, transactions made, but there was little sense of belonging to an organisation verses an ad hoc group of people, operating for narrow, short-term purposes. Few organisational activities occurred and little extra time and effort was donated by the membership.

1. Formation of District Unions:

District Union representation is critical for TCCSs desiring to benefit from education, training, interlending and other services and support which is beyond their individual capabilities. Efforts were made to form more District Unions. District Union representation grew from only 1 in 1978, 5 in 1980, 16 in 1985 and 26 in 1988.

2. Formation of the Federation of Thrift and Credit Cooperative Societies Ltd.:

It is crucial to any movement of this size to have national representation. The Federation of Thrift and Credit Cooperative Societies Ltd. was formed in 1980 to support the activities of the District Unions and member TCCSs, providing technical assistance and supervision, developing training materials and systems. It has also been active in representing the movement with governmental and external agencies and mobilising support from them.

Human Resource Development

Before 1978, the TCCS system had little development orientation in how it structured its savings/credit system to aid its membership and the overall community. After 1978, there was a marked increase in the use of savings/credit as a tool for human resource development; of raising the economic and social conditions of its membership and the communities in which they resided. To identify member and community needs and expectations, society members were given the opportunity to develop and discuss alternative development proposals. The general body passed judgement on these proposals and decided on appropriate changes to policies and guidelines in order to facilitate implementation. This dynamic approach to community development has resulted in raising TCCS visibility within the community and increased its membership.

Integrated approach

The TCCS system has increasingly acted as liaison between the community and the government, non government and external agencies. This integrated approach allows individual TCCSs to access extension services and credit for its membership. Because of the openness of its roles to membership, non-members in the larger community also benefit.

Education and Training

A large-scale education and training campaign was ~~been~~ after 1978 on the national, district and primary society level. emphasising leadership training, promotion of self-help and mutual assistance, encouragement of thrift and savings and management principles. Seminars, conferences and educational programmes were utilised to convey this information.

PRESENT SITUATION AND TRENDS

After analysing past decade's activities of the TCCS and forecasting future programmes of TCCS, basically, four stages can be identified as to complete and achieve the TCCS goal. TCCS by-laws explain that it has objectives to change the cooperative social order and build up and improve alternative financial institutions. Slogan of the TCCS movement of Sri Lanka "Credit for Social Justice and Peace". With the expectation of future assignments, there are four phases as follows:

1. Motivations promotion - 1978 to 1983
2. Training and education - 1984 to 1988
3. Strengthening of financial management capabilities - 1989 to 1994
4. Alternative banking system for total development - 1995 to 2000

There are 5885 PTCCS and 26 DTCCS unions affiliating to the Federation of Thrift and Credit Co-operative Societies Ltd. in Sri Lanka. It has affiliated to 568,320 individual members. TCCS system mobilized and managed Rs. 594 million as total loans for the members in the 1988.

TCCS organizational structure, SANASA is 3 tier-system. Each PTCCS has independence and autonomy. SANASA can be identified as a unit banking system. Structure of interest rate, structure of credit components and resource mobilization procedures and implementing guide lines can be determined by each PTCCS. Even though they have autonomy, eventually all the SANASA network basically follow basic formula and system. Low cost operation, promoting alternative financial institutions, basically people based operation are the concepts and principles alike in every society.

Each society in the village level conducts monthly meetings and evaluate the performance and take decisions for remedy. A SANASA society so called a village level financial institution and it generates and mobilizes village resources and plan to invest them within the village itself for the benefit of the members.

There are 1200 TCCSs that can be classified as Grade I, because they have their own office and counter and fairly good management system. There are 2300 societies in Grade II. District TCCSs have taken steps to promote these societies upto Grade I. There are nearly 1900 societies operating in Grade III. This means they do not do day-to-day activities, only operate once in a month, their transactions and activities.

In order to provide better facilities to the primary societies, District TCCS Unions have been decentralised their activities and authority. Divisional level unit is not individual unit. It is a branch of District Union. Activities of the Unit are to provide training and technical assistance for the strengthening of management for the PTCCS and facilitate to coordinate market and input services.

The role of the Federation is basically to provide long term development technical assistance and services to primary societies through its union. After formation of SANASA federation, motivation, promotion, training and education programmes have been completed during the last decade. The Federation's responsibilities are promoting technical skills to full time staff members without disturbing the leadership participation of PTCCS.

Each District Union has undertaken its interlending activities. The Federation itself has an interlending department which provided nearly Rs. 25 million last year. It has special credit components: to extend the SANASA system to poorest among poor groups. Performance of lending is shown in the annexure.

TCCS movement has given an important role for the training and education because training and education is the life line of the SANASA movement. Peoples participation is very important to strengthen the SANASA movement. If it is not so, the TCCS would be just like another lending institution. Some of the figures have been given here about the training programmes which we have conducted from 1988 to March 1989.

<u>Type of Training Programme</u>	<u>No. of Participants</u>	<u>No. of Sessions</u>
1. Member Education	134,276	4674
2. Committee Member Education	28,225	2430
3. Office Bearers' Training(Executive)	13,284	1335
4. Change Agents Training Programme	1,480	222
5. Managers Training	2,770	261
6. Women Leadership Education & Training	28,435	568

TCCS training is not only to build up awareness, knowledge and skill but also a changing attitude of the people. Training and education programmes to follow action programmes as rural integrated activities and human development programme.

Each PTCCS is used to absorb existing services from the government. The government of Sri Lanka has programmes for rural development. General meetings of SANASA are used as a stage to talk about the existing services and to maximize the benefits in order to get these facilities as societies have to prepare their own development plans. Then they negotiate the plan with the relevant department and agency. Human development programme's expectation is the total development of the members. In each district, at least one or two PTCCSs have to promote upto that level. It shows how TCCSs provide assistance for the development of human needs. That case would be used as a learning exercise and provide a model to analyze the method of proceeding and implementing the activities to optimize fundamental human rights such as security, justice, accommodation and bargaining power.

Apart from that, within the SANASA organization there is a women's organization in each PTCCS. There are nearly 2000 women organizations in PTCCSs. These women's organizations take initiative to promote women's participation as decision making process and leadership. Parallel to SANASA network, women's organizations also have been formed in district level and national level. Analysing total credit disbursement of SANASA, 15% out total credit disbursement was given to women members. Women member participation also is fairly high as to 45% of the total membership.

Expansion programme of the SANASA is being implemented to reach various target groups such as fishing community, plantation workers and labourers, slum dwellers. Most of the SANASA members are from the rural village areas. A national programme has been drawn to reach new settlers schemes in Mahaweli devevelopment area. (new settlement scheme in the dry zone area development) It is expected to organize 600 SANASA within next five years.

The fisheries community has basic problems of marketing and credit, specially in Southern province. A programme is being implemented to introduce SANASA for fisheries community. Already about 5 or 6 SANASA societies have been organized. Urban slum and shanty dwellers are a different community compared with those of rural areas. Attempts were made to promote SANASA in urban areas to form 300 PTCCS with slums of Colombo. At present only 35 societies could be formed. Plantation workers are not familiar with peoples organizations except their trade unions.

In 1986, a programme was introduced for the formation of SANASA to plantation labourers. It is fairly successful even having so many difficulties to enter plantation sector. There are 50 SANASA existing at present.

TCCS Federation inaugurated its national training institute. It is called SANASA Education Campus. Objective of SANASA Education Campus is to provide the skill and leadership development training. Since 1985, upto now number of training programmes have been conducted and 'Finding of data and information in last decade' research is being conducted. In addition to various models of SANASA, it has introduced documentation about the societies. Communication and information of the TCCS provide better understanding of the members of the TCCS.

"SANASA" in Sinhala and "NANAYAM" in tamil medium newspapers are published in monthly basis. In addition to monthly journals, number of documentation hand books, manual for trainers training and rules and regulations, model by-laws and other informative leaflets were published.

INTERNATIONAL RELATIONS

Community Aid Abroad in Australia recognized the potentials of SANASA movement in Sri Lanka and took initial partnership for the development of SANASA motivation and education activities.

Subsequently, CAA provided great assistance to implement training and education for five years, from 1984 to 1989. Next phase of strengthening of financial management capabilities programme is being implemented with the assistance of World Council of Credit Unions, Community Aid Abroad in Australia and Swiss Intercorporation.

Assistance was given by the Humanistic Development Institute (HIVOS) of Netherland in order to provide immediate credit programmes to implement rehabilitation credit programmes, specially among North and Esst SANASA societies.

SANASA is a member of the Asian Confederation of Credit Unions which is affiliated to World Council of Credit Unions. Last year, SANASA obtained the membership of International Cooperative Alliance. SANASA keeps good relations and image with UN organizations in Sri Lanka like IFAD, FAO, UNISEF and diplomatic services in the country.

FUTURE DEVELOPMENT

SANASA system in Sri Lanka has been implementing a major role in rural credit. Because of our successful achievements, the government of Sri Lanka recognized the potentials of the SANASA movement and negotiated with the leaders of SANASA to get the TCCS assistance to implement various government credit schemes.

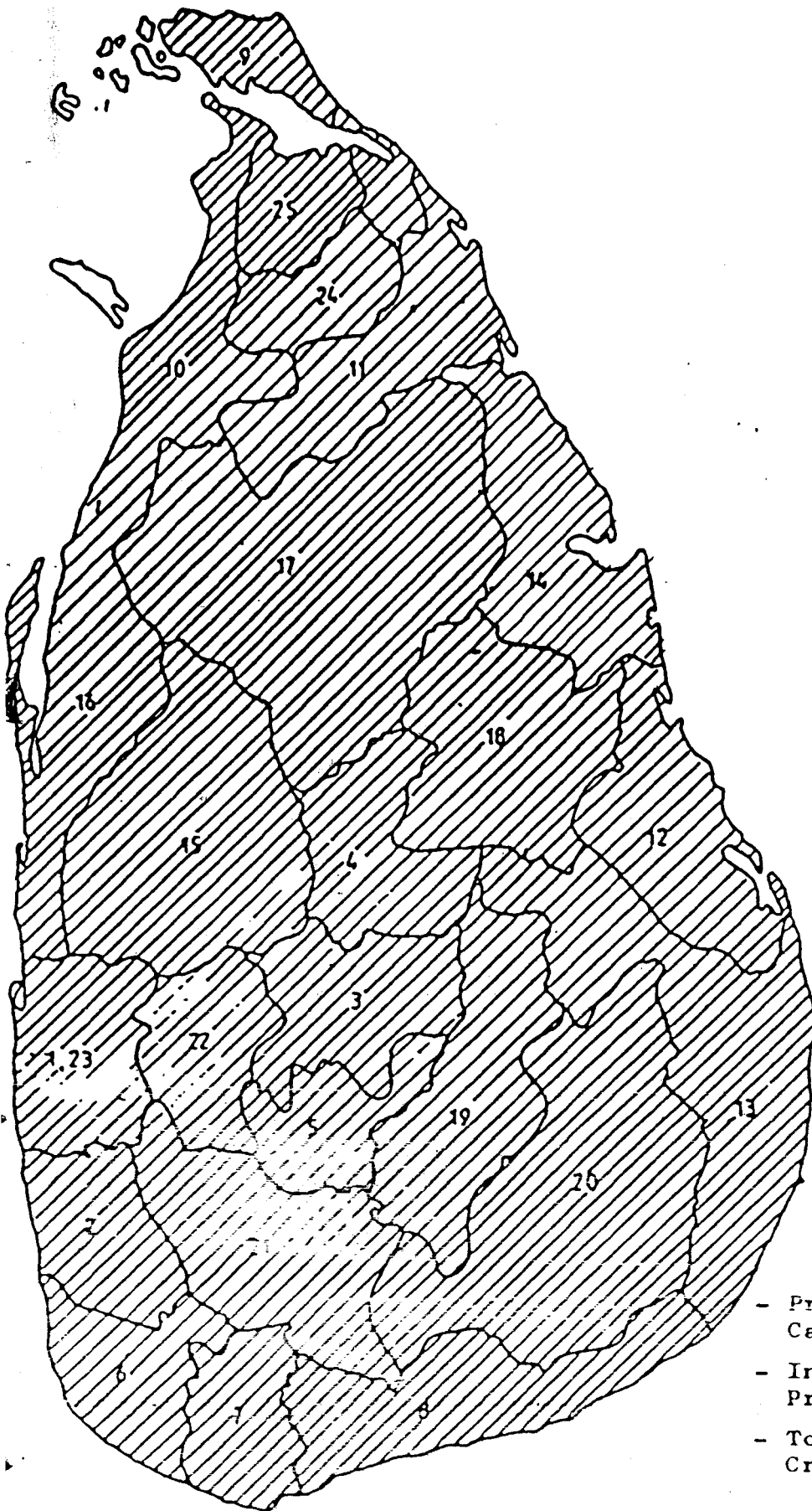
The programme of housing credit has been implemented through the TCCS during the last two years, and it has shown how the target being achieved and helped the poorest among poor group. Rs. 115 million was disbursed among forty thousand beneficiaries to build up their own shelters. District integrated development programmes which are implemented by the Ministry of Plan Implementation selected SANASA movement to implement its credit components too. IRDP credit components were obtained to strengthen the poorest among poor groups. Providing small credit programmes under the IRDP programme in Nuwera-Eliya Ratnapura, Matara, Hambantota and Kegalle has shown its achievement.

Action research programme which is called peoples' participation programme implemented by FAO in Sri Lanka selected SANASA to be another alternative institution to reach the poorest among poor group. Change Agents' Programme which has the same objective that is implemented by Ministry of Plan Implementation provided a sum of Rs. 1.2 million to 1800 beneficiaries through SANASA system.

Comparing and analysing the SANASA objectives in last decade, it has faced problems in related to performing the member needs due to financial constraints. Ofcourse, the intension of SANASA is not to obtain loans from existing commercial and financial institutions. Therefore, leaders of the movement have the responsibility to draw up the plan mobilized financial resources within the movement. But, it seems that it is difficult to generate resources only internally, because 60% of the SANASA members are low income earning people.

Basic and fundamental problems that will be arised are how to fulfil the member needs in the future and how to protect TCCS movement from other interfearence and to promote as an alternative people based financial institution.

(1967)



District Societies

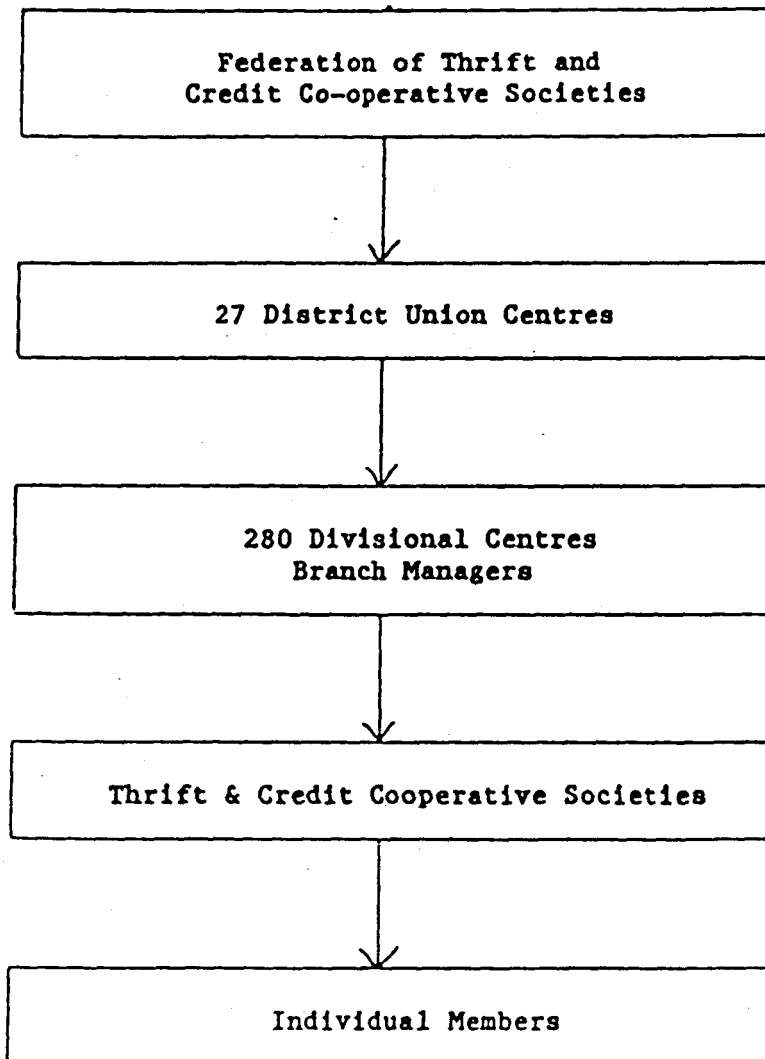
1.	COLOMBO	-191
2.	KALUTARA	-342
3.	KANDY	-450
4.	MATALE	-101
5.	NUWARA ELIYA	-100
6.	GALLE	-392
7.	MATARA	-252
8.	HAMBANTOTA	-152
9.	JAFFNA	-381
10.	MANNAR	-57
11.	VAVUNIYA	-57
12.	BATTICALOA	-172
13.	AMPARAI & KALMUNAI	-36 -119
14.	TRINCOMALEE	-04
15.	KURUNEGALA & KULIYAPITIYA	-351 -285
16.	PUTTALAM	-179
17.	ANURADAPURA	-197
18.	POLONNARUWA	-31
19.	BADULLA	-127
20.	HONERAGALA	-75
21.	RATNAPURA	-217
22.	KEGALLE	-306
23.	GAMPAHA	-442
24.	MULLATIVU	-46
25.	KILINOCHCHI	-34
*.	FTCCS	-01
*.	DTCCSU	-26
*.	PTCCS	-5096
*.	TOTAL SAVINGS & SHARE CAPITAL	-RS. 352 M.
*.	LOANS OUTSTANDING	-RS. 563 M.
*.	TOTAL ASSETS	-RS. 68 M.
*.	TOTAL NO. OF MEMBERS	-565,000

Loan Disbursement in
Subject vice

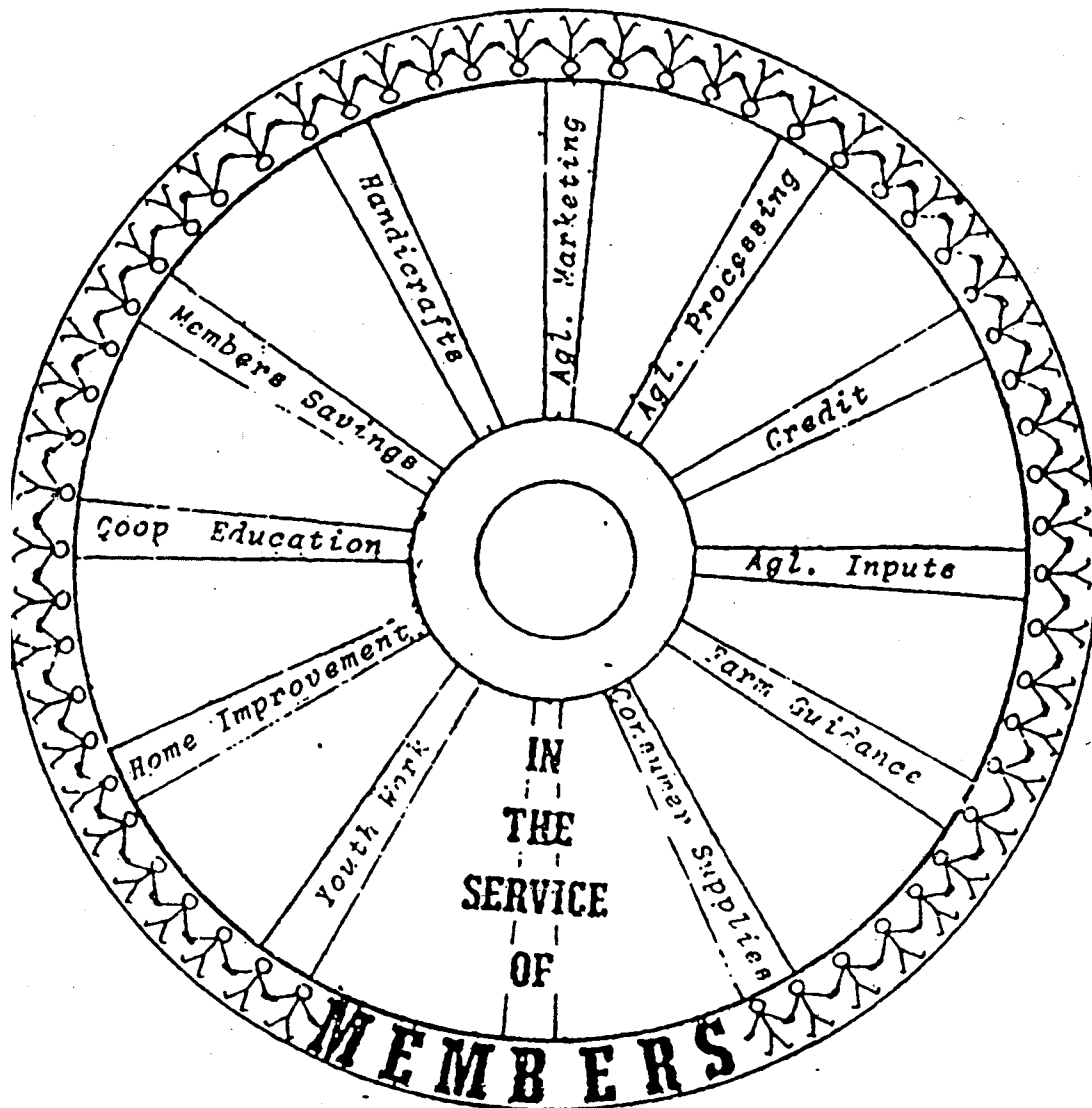
Agriculture	60%
Self Employment	20%
Housing	5%
Small Indus:	10%
Miscellaneous	5%

- Promote Absorption
Capital Credit - 8 mil.
- Income generating
Programme Credit -153 mil.
- Total Development
Credit -130 mil.

PROPOSED FTCCS INSTITUTIONAL DEVELOPMENT
STRUCTURE BASED ON
PROPOSED ADMINISTRATIVE SETUP



TOTAL DEVELOPMENT APPROACH OF PTCCS



Information & Statistics of Thrift & Credit Co-op. Societies

(Rs. in Millions)

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
1. No. of Societies	1320	1448	1570	1685	2166	2420	4387	5215	5885
2. No. of Members	26556	207856	169201	220651	241615	340100	470200	545100	568320
3. Total shares and Savings (Millions)	111.2	113.5	153	172.7	188.4	220.1	310	352	388
4. Loan Outstanding	-	108	126	139	199	258	320	563	594
5. Total Assets (Millions)	7	16	17	20	21	-	-	68	95
6. No. of District Unions	5	7	11	14	16	19	24	26	26
7. Number of Federation	1	1	1	1	1	1	1	1	1
8. Members' Ordinary Credit Recovery,	-	-	-	-	-	98%	98.3%	98.6%	90.2%
9. Housing Loan Recovery	-	-	-	-	-	100%	98.55%	96.91%	91%
10. Assets (Millions)	-	-	-	-	63.6	N.A.	128.1	159	214

Rs. 32/- = U.S.\$ 1

Development Plan of Thrift & Credit Co-operative Movement

