

BACKGROUND PAPERS
FOR THE
THIRD CO-OPERATIVE MINISTERS'
CONFERENCE

Colombo, July 26 - 30, 1994

334:061.25
ICA.



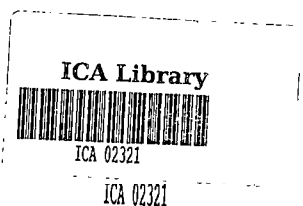
International Cooperative Alliance
Regional Office for Asia and the Pacific
New Delhi, India

**BACKGROUND PAPERS
FOR THE
THIRD CO-OPERATIVE MINISTERS CONFERENCE**

Colombo, July 26 - 30, 1994

TABLE OF CONTENTS

PREFACE	1-2
BACKGROUND PAPER - I	
GOVERNMENT-COOPERATIVE RELATIONSHIP- A REVIEW OF SYDNEY AND JAKARTA CONFERENCES	3-17
BACKGROUND PAPER - II	
CO-OPERATIVE COMPETITIVE STRENGTH: POSITIONING COOPERATIVES IN THE MARKET-ORIENTED ECONOMY	18-32
BACKGROUND PAPER - III	
REGIONAL COORDINATION - REGULAR FORUM FOR COOPERATIVE MINISTERS' CONFERENCE OF ASIA AND THE PACIFIC REGION	33-37
BACKGROUND PAPER - IV	
SUPPORT FROM THE ASIA-PACIFIC REGION ON THE UNITED NATIONS' SECRETARY GENERAL'S REPORT IN THE UN GENERAL ASSEMBLY IN 1994	38-40



**BACKGROUND PAPERS
FOR THE
THIRD CO-OPERATIVE MINISTERS CONFERENCE**

Colombo, July 26 - 30, 1994

PREFACE

The **Jakarta Co-operative Ministers' Conference** in February 1992 resolved to hold the Third Co-operative Ministers' Conference in Colombo, Sri Lanka. Accordingly, the **Colombo Conference** will be held from July 26 to 30, 1994.

In preparation for the **Colombo Conference**, an Asia Pacific Consultation Meeting was held in Kuala Lumpur in April 1994, to which Permanent Secretaries, Chief Executives of the National Co-operative Organizations and some of the international organizations were invited.

The Regional Consultation addressed a number of important issues which are relevant for further consideration by the **Colombo Conference**. A copy of the report of the Regional Consultation is enclosed hereto.

Based on the deliberations of the Regional Consultation, the Background Papers presented at the Consultation have been updated and is contained in this package to form part of the Conference's Background Papers. All relevant recommendations stemming from the Regional Consultation have been incorporated in these Background Papers for due consideration at the **Colombo Conference**.

ABOUT THE PAPERS

Background Paper I recounts the major recommendations of the Sydney (1990) and Jakarta (1992) Conferences of Co-operative Ministers, with the view to establishing a logical and coherent link with the Colombo Conference. It also presents an analysis of the responses of the ICA ROAP's **questionnaire**, and summarizes the deliberations held at various national and sub-regional meetings in the Asia Pacific region. Focus is being placed on legislation and management issues faced by co-operatives in the changing socio-economic environment in this region.

Background Paper II addresses the issue of Co-operative Competitive Strength, which was one major recommendation adopted at the Jakarta Conference in 1992, and has since become more relevant due to market based reforms undertaken by various governments in the Asia Pacific region in an attempt to boost economic development. The paper attempts to analyze the position of co-operatives in the region which are being challenged by the current wave of market-oriented economy, and to provoke innovative thinking towards sustainability of this important sector.

Background Paper III is a conceptual document which proposes the adoption for a more regular forum, for which a Secretariat-housed within ICA ROAP office in New Delhi - is being recommended by the Regional Consultation for consideration by the Ministers' Conference. In an attempt to make the Secretariat more accountable, and also to function more effectively, a proposal is being submitted to the Ministers' Conference for consideration.

Background Paper IV relates to the Report of the Secretary General of the United Nations on the "Status and Role of Co-operatives in the light of new Economic and Social Trends" which is expected to be presented in the later part of 1994 and seeks the support from governments from the Asia Pacific region in order to sponsor the UN Resolution at its forthcoming Economic and Social Council meeting. This recommendation is being placed in front of the Ministers' Conference for their consideration.



BACKGROUND PAPER - I GOVERNMENT-COOPERATIVE RELATIONSHIP

A review of the Sydney and Jakarta Conferences

1. Resume of Sydney & Jakarta Conferences of Cooperative Ministers

1.1 Sydney Conference

In most of the countries of Asia-Pacific region, States assumed for itself the responsibility to develop cooperatives in various segments of economy as an instrument and agency for attaining social and economic development. The Government provided financial and other assistance to accelerate growth of cooperatives. The involvement of the Government has been so explicit, pervasive, and deep, as virtually making cooperatives akin to Governmental organisations. Resultantly, members lost their interest, becoming merely passive receivers of services with little or no stake in the society. Cooperatives lost their genuine character in many countries. Taking note of this situation, the ILO provided detailed guidelines and pattern of Govt. assistance vide its recommendation No. 127 of 1966. As a result of Governments involvement, there has been accelerated physical growth of cooperatives, but it brought in several distortions by eroding the basic ingredients and characteristics of cooperatives.

1.2 Being concerned with the philosophy and genuineness of cooperatives, the ICA Regional Office for Asia and the Pacific countries in New Delhi, took note of the increasing control being exerted by Governments over cooperatives and hence considered it necessary to draw the attention of the Governments towards the adverse effect of this situation. Subsequently, ICA ROAP considered it important to develop a pattern of Government cooperative relationship through which members will have the freedom to run the affairs of their cooperatives democratically - in conformity with the internationally accepted Cooperative Principles - while assistance from the Government could still continue. This became the genesis of convening a Conference of the National Ministers, In-charge of Cooperative Development, in the

Prepared by Dr. R.C. Dwivedi, former Chief Executive of the National Co-operative Union of India and presently working as Officer on Special Duty with the Minister of Agriculture, Govt. of India and acting as Consultant to ICA ROAP.

Asia and the Pacific Region, by ICA ROAP, at Sydney in 1990. The outcome of the Sydney Conference was a commitment by the participating countries to review their respective Cooperative Laws, with the objective of liberalising them and make them more democratic and member-based. This was done by adopting a number of recommendations and the "Sydney Declaration". It was a commitment aimed at giving a new direction and orientation to the Government-cooperative relationship and thus to build a cooperative friendly-environment in the respective countries.

1.3 Jakarta Conference:

During the interim period of Sydney Conference 1990 and the Jakarta Conference of Ministers 1992, the cooperative movements organised National Workshops in various countries of the region in collaboration with the ICA Regional Office. The Jakarta Conference commended the results of the intensive follow-up actions undertaken by the ICA, including its constant contacts with the Government and the cooperative movements. This had resulted in the emergence of a new and positive environment in favour of cooperatives in the region. The Conference took note of the measures taken in different countries to amend or replace the existing cooperative laws, so as to incorporate the spirit of the Sydney Conference. The Sydney Conference had also adopted one significant recommendation, inter-alia, that the ICA should design a model of Government-Cooperative relationship so as to "combine basic values, socio-economic objectives and competitive strength of cooperatives". The Jakarta Conference (1992) reviewed the implementation of Sydney Conference and, in turn, made subsequent important recommendations.

1.4 Follow-up of the Jakarta Conference Recommendations:

Replies to the questionnaire reveal that implementation of the Sydney and Jakarta recommendations varied from country to country.

1.4.1. In Fiji, most of the recommendations were in the process of implementation. A review of the Fiji cooperative legislation had been undertaken by the ILO. A new law has been drafted giving greater autonomy to cooperatives to run their own affairs. The law incorporates a code of conduct for elected office bearers and members of the board. The cooperative movement has stepped up educational publicity and intensive campaign programme to educate the members and general public about the socio-economic objectives of cooperatives. A 10 Year Co-operative Development Policy paper has been developed jointly by the cooperative leaders and government officers, which incorporates most of the recommendations of the Sydney and Jakarta

Conferences.

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

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

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

Lastly, the general policy of co-operative development in PELITA VI (Fifth Five Year Development Plan) provides the necessary encouragement for co-operatives to take their own initiatives and increase their competence and participation, particularly for small entrepreneurs, in order to build their organizational strength and business acumen.

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

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

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

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

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

1.4.6. In Myanmar, a new co-operative law has been adopted which recognises co-operatives as democratic, autonomous and self-reliant institutions. Currently, the Cooperative Movement is being re-structured in line with the new cooperative law.

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

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

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

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

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

current year. The draft law covers all types of co-operatives and recognises co-operatives as a socio-economic and self-reliant organisation based on cooperative principles of voluntary participation and democratic management.

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

2. Background of the Colombo Conference

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

2.1.1 The economic liberalization process in Bangladesh is moving rather slowly. However, the government of Bangladesh have given emphasis on the co-operative institution in the implementation of socio-economic develop-

ment projects. A national co-operative policy has been formulated with specific objectives, with the following basic fundamentals:

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

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

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

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

The main objectives of the reforms are:

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

To achieve the above objectives, practice of licensing has been abolished for all industries except for 18 industries on ground of defence needs, social reasons, posing health and environmental hazards and manufacture of

luxury items. There will be no licensing of industries which have the availability of foreign exchange by means of foreign share capital; also for those requiring a maximum of Rs.20 million for imported capital goods; there will be no licensing for expansion of existing units, and for foreign investments to the tune of 51% in the joint ventures in the country; there will be liberalisation of Foreign Exchange Regulation Act, privatisation of public sector undertakings, rehabilitation of weak commercial banks, reduction in public expenditure, curtailing of government assistance, etc. Infra-structure will be built to provide the needed services and facilities. These steps have opened the economy for the foreign investment in industries, commerce and infra-structure. The emerging feeling in India is that cooperatives should incorporate some of the characteristics of private enterprises.

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

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

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

2.1.6 In Nepal, the government has adopted the liberalized economy. Under this system the private sector is encouraged to invest capital in any sector, to be competitive, to determine the price of competitive commodities and services and to solve its problems without government interference. The National Co-operative Federation of Nepal felt that the recommendations from the Jakarta Conference is very much applicable to increasing the competitive strength of co-operatives. The ADB (Asian Development Bank) has virtually stopped the provision of loan to co-operatives. The new policy states that loans will only be issued to co-operatives if there is adequate collateral against the loan. Most of the co-operatives have no assets i.e. immovable property and due to the same reason they have not received loans from ADB for any purpose after the economy has been liberalized, be it for agricultural production, fertilizers, consumer goods, marketing & processing, handicrafts production, etc. The Nepal Food Corporation (NFC) which is responsible for the procurement and supply of food-grains to the deficit

areas, has given the opportunity to co-operatives to collect food-grains without giving any preferential treatment with regard to business conditions. The Agricultural Input Corporation (AIC), which is a parastatal organization, has also adopted a policy of dealership that is open to all, irrespective of co-operatives or private dealers. It opens the door for stiff competition between the co-operatives and the private traders.

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

The specific steps taken by the Government are:

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

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

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

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

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

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

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

3.1.2 In India, the Cooperative Laws provide a broad pattern of management of cooperatives. The pattern defines the powers and functions of General Body of members, Board of Management or Managing Committee and Chief Executive. The General Body elects the board of management. The board of management elects the Chairperson and other office bearers and also appoints the Chief Executive. The Chairperson is an honorary office bearer and his powers and functions are defined in the bye-laws of the respective cooperative societies, which may differ from cooperative to cooperative. The Chairperson, however, has overall control and supervision over the society. The powers and functions of Chief Executive are also defined in several cooperative laws. Conflicts between the Chief Executive and the elected Chairperson occur, when either Chairperson/President or Chief Executive attempts to enter the jurisdiction of each other, or when there is lack of mutual trust in each other. These conflicts are resolved either through mutual discussions or at the meeting of the Board of directors. There is need of clear demarcation of powers, functions and accountability between the Board and the paid management to avoid the conflict between the elected and the appointed or paid management.

There had also been cases where courts were approached for decision. An employee cannot become a member of employer society; hence no question of contesting for an election.

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

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

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

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

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

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

3.4 There is a felt need in Pakistan for a code of conduct for the non-official members of the board, because of the fact that the cooperative movement

has become overly politicised. The elected Chairpersons/Presidents of cooperatives are in most cases politicians who tend to take political advantage of their position. It is absolutely necessary to discourage political exploitation of cooperatives. The National Union of Pakistan has suggested to the Provincial Governments to make a rule to the extent that no person who is, or becomes, a Member of the national or a provincial Legislature should be a member of the managing committee of a cooperative society.

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

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

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

3.8 To conclude, the Asia Pacific region has a tremendously vast scope for cooperatives to play their prominent role in development, even in the situation of open market economy. But cooperatives will have to change their work culture without loss of time to develop strength in order to face the numerous and mounting challenges. With greater managerial, structural and

business efficiency and support of members, co-operatives can be in a competitive position to their counterparts in the private sector. The impending need is to have greater conviction, commitment, cohesion and dedication.

4. Cooperative friendly environment

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

5. Out of the above analysis the following broad issues emerged for discussion:

- * Implementation of recommendations of the Sydney and Jakarta Conferences - factors hindering the implementation;
- * How to make cooperatives member-oriented and member accountable;
- * Steps to develop a genuine cooperative system; and
- * Measures necessary to modernise cooperatives so as to increase their competitive strength.

On the basis of the discussions on various issues arising from the above contextual framework, the following conclusions/recommendations have been made by the Consultation for the consideration and endorsement by the Ministers' Conference at Colombo:

1. The Consultation appreciates the follow up action taken by both governments and Cooperative Movements in various countries in the region towards amending the co-operative laws in the light of the Sydney and Jakarta Ministers Conferences; the consultation, however, suggests that the

implementation of the recommendations of the Sydney and Jakarta Conferences be accelerated in view of rapid changes currently taking place in the global economy which are affecting the economy of various countries.

2. Recognizes the need for government support in building an environment conducive to the growth of co-operatives. It recommends that this be done through reforms in the economic, fiscal, and financial policies to include favourable tax treatment for co-operatives, de-politicisation of co-operatives, and greater freedom for co-operatives in decision making.

3. Affirms the importance and relevance of co-operatives in the changing national economic environment in the interest of the weaker sections and other dis-advantaged groups of the society.

4. Proposes strongly that governments formulate policies that will put co-operatives on a level playing field with private and public enterprises and thereby enhance the public IMAGE of co-operatives.

5. Recognizes that the rehabilitation of weak co-operatives as a result of greater autonomy is the responsibility of the movement; however, government assistance should be sought when necessary.

6. Acknowledges the need to promote and preserve the people's faith and confidence in the co-operative philosophy, ideals, and capacities to meet their needs, thereby enhancing members loyalty and participation in the co-operative affairs.

7. Believes that the vertical and horizontal integration of co-operatives should be strengthened to foster greater cohesion of the co-operative movement; being composed of autonomous organizations, however, the movement should be allowed to decide on matters relating to such an integration.

8. Considers that HRD policies should be scientifically formulated and implemented for the members, Board of Directors, other office bearers and paid employees; this is the primary responsibility of the co-operatives to which the government could extend support to accelerate the process.

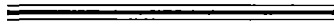
9. Upholds the need for co-operatives to become more responsive to the aspirations of their constituencies and continue to do so through democratic processes.

10. Reiterates the need for the formulation of a code of conduct between the elected and the paid executives in order to ensure proper assignment of responsibilities and harmonious working relationships between them. The International Co-operative Alliance should assist in the formulation of a model code of conduct.

11. Co-operative elections, audit, education & training should, as far as possible, be undertaken by the co-operatives themselves; the government, however, should continue to extend assistance for audit, education, and training. Towards this end, the government may consider financial assistance in strengthening the management capacities of the co-operatives.

12. In an effort to improve co-operative education under the current conditions, technical assistance should be sought to study and strengthen potential **centres of excellence** in existing co-operative education and training institutions in the Asia Pacific region.

13: In view of the current socio-economic trends and the resulting environment in the Asia-Pacific region, the **Consultation recommends** that a strategy formulation for the YEAR 2000 be undertaken jointly by the government and co-operatives in view of the significant contributions that co-operatives can provide to the caring society.



BACKGROUND PAPER - II

**CO-OPERATIVE COMPETITIVE STRENGTH :
POSITIONING CO-OPERATIVES IN THE MARKET-
ORIENTED ECONOMY**

1. INTRODUCTION

1.1. There have been rapid changes in the socio economic scene in the Asia Pacific region since the **Second Co-operative Ministers Conference** was held in February 1992 in Jakarta, Indonesia. Countries in the Asia Pacific region have responded swiftly to the rise of economic globalization, and has made tremendous strides in picking up their high momentum of growth in 1993. The economy in Asia grew by more than 7 per cent on average in 1993. This remarkable growth occurred at a time when the world economy was moving sluggishly and which rose only by less than 1 per cent. The rapid economic growth in Asia was mainly attributable to developing countries in East and South East Asia which has made firm and timely market based reforms. High growth was recorded in the People's Republic of China, Malaysia, Thailand and Vietnam, whereas Pakistan and the Philippines registered lower growth rates. Other Asian countries showed relatively good performance as well. Growth in much of South Asia exceeded four per cent, and this year's outlook remains encouraging. Japanese economy is one that remains sluggish overall, although a sign of recovery is becoming increasingly apparent.

1.2. The successful completion of the GATT negotiations, and soon to be followed by the inception of the new World Trade Organization, will likely evolve a new climate for growth in world trade. The world economy is predicted to grow by nearly 2 per cent in 1994 and 3 per cent in 1995. Freer trade will further boost economic recovery, along with increased private capital expected to flow actively across national boundaries.

Despite broad benefits which will flow from the economic growth in the Asia Pacific region, social problems still prevail. Poverty alleviation has been slow and aggravated by high rates of population growth in several countries in Asia. Poverty incidence in these countries remains at 30-45 per cent. Of the more than one billion poor people in the developing world, 800 million live

* *Prepared by Drs. Robby Tulus, Senior Policy Advisor, ICA ROAP*

in the Asia Pacific region. Associated with the problem of poverty is the equally serious issue of environmental degradation. Societies are becoming increasingly heterogeneous, and the expanding middle class population will bring with them rising aspirations and expectations. These problems must be addressed within the broader context of the next phase of development within the region that transcends economic priorities alone.

2. THE SEARCH FOR PRACTICAL SOLUTIONS

2.1. The **Jakarta Conference** was critically aware of the need to strengthen co-operative competitiveness without sacrificing its basic values and socio-economic objectives. No less that President Soeharto in his Inaugural Address stated, inter alia, that :

“the process of globalization will have considerable impact on our national economies. The competitive edge of the developing countries is not strong enough to enter this process. We have to boost and generate people’s economic potentials. This can best be achieved through, among other things, the co-operative movement”.

The Conference also considered the manifestation of market economy more as a positive momentum to stimulate the development of co-operatives to become more independent, democratic, and autonomous, and which can concurrently assert the rigour of professional management within a favourable legislative climate.

2.2. A number of recommendations of the **Jakarta Conference**, as a result, were focused on the need to review the roles of government and the co-operative movement in relation to the rising market-oriented economy. It was emphasized that the role of the government should be primarily to establish economic policies which are enabling, thus making it conducive for co-operatives to enter the competitive environment with more strength and confidence. The role of the movement, on the other hand, should be to strengthen their professional management capacities, and simultaneously bring about effective integration - both vertically and horizontally - by actively exercising the principle of “Co-operation among Co-operatives”.

2.3. There is no doubt that the **Jakarta Conference** created a forceful impetus to start addressing the fundamental issue of co-operative competitive strength and the Market Economy. A critical awareness had thus been raised on the need for co-operatives to enhance their competitive strength. It was naturally incumbent upon the ICA ROAP to follow it up by addressing this issue in a more substantive way at relevant for leading to the **Colombo Conference in July, 1994**, in order to seek practical solutions to the issue.

2.4. Apart from a **questionnaire** circulated to all member countries to seek their responses to the issue, ICA ROAP facilitated the implementation of several national and sub-regional workshops, and presented relevant papers to provoke thinking on the impact of globalization, structural adjustment, and the market-economy on co-operatives. The following workshops were duly organized :

- a) The **“National Co-operative Workshop”** in Manila, Philippines, on August 23 & 24, 1993, in preparation for the ASEAN/South East Asia Co-operative Review Seminar;
- b) The **“National Co-operative Workshop”** in Jakarta, Indonesia, on November 8 & 9, 1993, in preparation for the ASEAN/South East Asia Co-operative Review Seminar;
- c) The **“ASEAN/South East Asia Co-operative Review”** Seminar in Solo, Indonesia, on December 5 to 8, 1993, attended by Brunei Darussalam, Indonesia, Malaysia, the Philippines, and Thailand, in preparation for the Regional Consultation in Kuala Lumpur;
- d) The **“National Co-operative Workshop”** in Colombo, Sri Lanka, on December 20 & 21, 1993, in preparation for the SAARC Co-operative Forum
- e) The **“SAARC Co-operative Forum”** in Colombo, Sri Lanka, on March 3 - 5, 1994, in preparation for the Regional Consultation in Kuala Lumpur.
- f) The **“Asia Pacific Regional Consultation on Co-operative Government collaboration”** in Kuala Lumpur, Malaysia, on April 18 - 21, 1994.

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

2.6. While a number of practical solutions were identified during the course of the above deliberations, there were only few tangible cases which can be used as effective learning material. The Kuala Lumpur Consultation, therefore, came with six conclusions and two distinct recommendations which underline the need to search for practical solutions to the issue of cooperative competitiveness (see Para 5.1. to 5.8).

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

3.1. Cooperative as a distinct economic SECTOR

In the context of market-oriented economy, some claimed that co-operatives should not be seen as being different from the private enterprise. The argument stands correct if the co-operative institution is being defined purely from a economic perspective. The conceptual understanding of cooperation, however, does not confirm this view. Co-operatives contrast widely in their object, character, composition, and management from a private enterprise. Cooperation is a practical philosophy that believes in building a value oriented and a non-exploitative society; a society which promotes development by people's consent and consensus, and a society which promotes internal cohesion, harmony and peace. In other words, cooperatives combine business and moral values. A private enterprise believes in the maximisation of profit which by its very nature exploits the process of production as well as distribution. Whereas a cooperative, by its very concept, is a unique democratic institution that possesses a universal suitability as well as operational validity under almost all forms of economic systems, be it capitalism, socialism, or mixed economies. Cooperatives, therefore, combine the merits of all these systems. Co-operation encourages individual initiative, which is the basic characteristic of capitalism. It believes in equality, equity and non-exploitation, which are vital ingredients of socialism; whereas under the system of mixed economies, where public and private sectors co-exist, co-operatives play a distinctive role in balancing the two different sectors. Co-operatives, therefore, **constitute a third vital economic sector in most countries**, and are in some cases constitutionally recognised. In view of the above, Cooperatives have relevance in a market-oriented economy and have a role to play in defining member friendly markets.

3.2. Relevance of Co-operatives for small Producers

In the Asia Pacific region, small peasants and marginal farmers constitute the largest group of the population. They are virtually the main **PRODUCERS** of food and raw material and are in need of services for production, marketing, supply and processing. Under the open market forces, these farmers will gradually be driven into becoming the adjuncts of private processing ventures and large trading houses. History has shown now and again that unorganized farmers have accepted the dictates of trader-bosses, reducing themselves as mere suppliers of raw material and basic commodities. While these poor farmers are usually getting only the floor level price for

their local produce, the processed products are fetching much higher prices at the national and international markets yielding massive profit margins. This profit, unfortunately, are never be shared with the farmers and is distributed only among share holders. Farmers' freedom, i.e. their individual choice in what to produce and where to sell, is totally dependent upon the trader-bosses. As such, the destiny of this group of farmers cannot be left entirely to the open market forces. By experience, the *cooperative institution is the logical alternative to protect the farmers from the adverse effects of an open market system*. As members of a co-operative, farmers can have greater bargaining power and can collectively set up their own agro processing, marketing, and related services.

With the onset of a market-oriented economy, it becomes even more imperative for farmers and small producers in the Asia Pacific region to organise themselves through co-operatives lest they would be adversely exposed as victims of the open market economy. Cooperative history seems to repeat itself. During the Great Depression in the 1920's, when farmers in North America were exploited by middle traders, they organized themselves into Cooperative "Pools" and have since sustained their bargaining power and position, hence also their competitive strength.

In many countries such as Bangladesh, China, India, Nepal, Pakistan or Vietnam, a large percentage of the population still live below the poverty line. It would be unjust to leave this group entirely to the forces of the open market economy and to have them bear their own fate as a consequence. It is only fair that the State, cooperative apex organizations, as well as bilateral and multilateral organizations, should find common ground to assist in the formation of self-help, democratic, and businesslike cooperative structures, and also to help sustain existing ones. With a membership close to 500 million individual members in the Asia Pacific region, cooperatives have the comparative advantage to advance its cause to help reduce poverty by becoming more competitive.

3.3. Relevance of Co-operatives for small Consumers

Apart from the **PRODUCERS**, the other group immediately impacted by market forces are the **CONSUMERS**. In a market-oriented economy, despite competition among producers and manufacturers, consumers are not the market sovereigns. This is particularly true in the developing economies where the propensity to consume is constantly on the rise. In this situation there is evidence of an adverse equilibrium between demand and supply of consumer goods. The distributive trade structure from producers and manufactures to the retailers involves a long chain of intermediaries, which

causes prices to increase manifold due to the fact that each intermediary adds its own margin. This extensive chain of intermediaries is maintained at the cost of the ultimate consumer. Consumers, in the end, bear the burden of the entire distributive trade structure. Apart from exorbitant price of goods and commodities, there is also the question of quality. With profit maximization as the aim, various kinds of practices - fair or foul - are adopted to push a commodity into the market by actually creating an artificial demand, i.e. through flashy advertisements. Imitation, adulteration, sub-standard and spurious goods, are flooding the markets.

In such circumstances, consumers can only protect themselves if they organise themselves into a cooperative. By creating commercial links directly with the production and manufacturing points, consumer cooperatives can demand the quality they need, eliminate all intermediaries, and thus increasing their own surplus margins. Ultimately, price will cease to be the instrument of exploitation for the consumers. Psychologically assured of quality standard, the consumer would normally be prepared to pay a marginally higher price rather than to purchase sub-standard goods at cheaper rates. Thus consumers in the market economy can, by organising themselves cooperatively, build their own protective umbrella against exploitation.

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

3.4. Relevance based on Values

The above demonstrates that co-operative institutions, especially for the economically poor, are irrefutable institutions even in a new market-oriented economy. Co-operatives stand firm in their belief that open market forces when combined with sound co-operative development can ensure greater

success in achieving economic justice. The actual rider to this plea is the assertion of cooperative fundamental **values** in their business transactions, and the inculcation of these values in their membership development. Adherence to the fundamental values such as mutuality, democracy, honesty and integrity, are permanent assets of cooperatives. Privatization and marketization may correct economic distortions temporarily, but neglecting fundamental values in the process will only bring disaster. If cooperatives cannot sustain their values to withstand the competition in the market, or in dealing with their members, institutions, or individuals, they have no cause for their existence even if they are economically strong and viable.

3.5. Parallel Cultures and Cooperative Values

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

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

In between the above parallel organizations and the state initiated co-operatives are the burgeoning Credit Union movements in Asia and the Pacific. Credit Unions are genuine co-operative organizations with strong focus on savings mobilization and effective lending, but they are unfortunately not yet fully recognized by many governments to enjoy full fledged registration or smooth vertical integration. They have well-researched pro-

grams such as the "safety and soundness program" which could well be shared and adopted by other type of co-operatives in order to professionalize management and monitoring systems.

Looking for synergies with other parallel cultures, and especially with credit unions, is therefore something to be aspired if we wish to extol the very principle of "Co-operation among Cooperatives". To confront the challenges arising from increasingly open market forces basically means to consolidate and unify co-operative and pre-cooperative structures into a common front, so that people-based organizations would not be held hostage by the increasing pressures from the market economy and from private interest groups they represent.

4. STRUCTURAL ADAPTATION AND TRANSFORMATION

Transforming cooperative structures is a vital aspect in the context of economic liberalization. This includes, inter-alia, identification of gaps and superfluous links within the existing structure. In order to ensure organisational strength and efficiency of the whole system, the structural gaps should be covered, and superfluous units eliminated, as has been done in Japan and South Korea. The aim should be to improve the operational efficiency of the entire structure both vertically and horizontally, and hence build a working system.

4.1. *Some experiments by MCs (member-countries) in Asia*

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

In Indonesia and Vietnam, Small and Medium Enterprises (SMEs) development has been considered relevant to cooperative development. Member of cooperatives as individuals, and co-operatives as the business entity, play their respective roles as small and medium enterprises. In

Indonesia, SMEs are viewed as part of the development of the cooperative member's economy, which in turn will contribute significantly to the development of cooperatives and the improvement of people's economy.

4.2. Membership Development

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

4.3 Study of successful experiences in organizational adjustments

The Consultation in Kuala Lumpur took special note of the imminent need to study successful experiences in structural adaptation and transformation both in Asia and beyond. The successful experiences displayed by Consumers and Agricultural Co-operatives in Japan, as well as adaptations made by cooperatives in North America and Europe to brave the increasing challenges from the market economy, were discussed at length. The above issue was first raised at the South East Asia Review Seminar in Indonesia, where governments and co-operative member organizations stressed the need for countries to set up their own national development plan to adapt to the changing economic environment. While a suitable "model structure" should be formulated, the Review Seminar also cautioned that no single set of structure can be patterned after for each and every country in Asia because of various differences such as in the size of the co-operative movement, the diversity of co-operatives, the areas of emphasis, and/or national priorities.

It becomes necessary, therefore, that a technical assistance and thorough study be undertaken very soon. Results of such a study will provide member countries in the Asia Pacific region with a frame of reference because the idea of the study is essentially to come up with sound and practical case studies. These case studies will facilitate the decision making process required by member countries in determining which structure they consider most suitable for their respective socio-economic environments.

4.4 *Funding Requirements*

The next most imminent need is the availability of funds for conducting this study (as well as other studies and technical assistance programmes recommended by the Kuala Lumpur Consultation). With the gradual withdrawal of subsidies by governments to the co-operative movements, it becomes imperative that co-operatives be empowered to seek funding from relevant sources, be they bilateral or multilateral. Appropriate consideration should therefore be given by this distinguished forum in Colombo to facilitate and support the necessary "empowering process" for co-operatives to secure funding from legitimate and reliable sources. The Asian Development Bank, for example, has a renewed commitment to funding social infra-structure projects for a number of developing countries in Asia under their ADF (Asian Development Fund) portfolio, and it has also agreed to double their General Capital Increase. Cooperatives should be promoted by governments to absorb funding from IFIs such as from the ADB. Opportunities as such will stimulate co-operatives to improve their professional management capacities, and hence to become more competitive as well. After all, most developing countries in the Asia Pacific region have considered in their national plans the vital role played by co-operatives as agents of social and economic development, notably in the improvement of income and living standards of their members who are mainly composed of small producers and consumers.

5. CONCLUSIONS & RECOMMENDATIONS

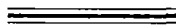
On the basis of the discussions on the topic of Cooperative Competitiveness and the Market Economy, the following conclusions and recommendations have been adopted by the **REGIONAL CONSULTATION IN KUALA LUMPUR**, for further consideration and endorsement by the Ministers' Conference in Colombo, Sri Lanka :

The **Consultation**:

- 5.1. Recognizes that globalization and liberalization of the economy provide opportunities to co-operatives to enter into diversified economic fields, with greater value-added;

- 5.2. Recognizes the need to develop new patterns of relationship with business partners, including transfer of technology, joint ventures, and strategic alliances, within and outside the respective countries;
- 5.3. Affirms the need for cooperatives to adopt innovative approaches and to use appropriate technologies with the objective of improving the quality of their products and services and efficiency operations;
- 5.4. Affirms the need for cooperatives to build intrapreneurial and professional managerial capabilities; as a strategy, assistance from national and international agencies - be they public, parastatal, or private - which have an interest in working with co-operatives, should be tapped;
- 5.5. Feels that cooperative business interests should be given recognition by the government in their economic policies;
- 5.6. Upholds the preservation of the distinct identity of cooperative, its values and principles while competing with private business enterprises, be they national or multinational.
- 5.7. Noting the considerable progress on structural improvements has been achieved in some countries, particularly in Japan, the **Consultation** recommends that a specific technical assistance be sought to study successful experiences in organizational adjustments, and formulate a suitable model for the purpose of improving the structure and organization of co-operatives in the Asia Pacific region.
- 5.8. To improve capital mobilization and enhance members' confidence in management integrity of finance related activities of cooperatives, the government could consider suitable regulatory and institutional framework to ensure the safety and soundness of cooperatives; in this regard the **Consultation** recommends that a study be conducted. Where necessary, financial assistance from bilateral or multilateral aid organizations should be sought to develop the above mentioned regulatory and institutional model.

It is therefore crucial that this distinguished forum in Colombo adopts and ratifies the above recommendations for prompt and effective follow up action.



APPENDIX I

RECOMMENDATIONS FROM CONSULTATIONS IN THE ASEAN AND SAARC COUNTRIES.

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

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

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

The other important recommendations of the Seminar were:

- i. accessibility to the capital equity market should also be formulated in policies and legislations in order to serve the enhanced capital requirements of cooperatives.*
- ii. Liberalisation, deregulation and privatisation are features which are becoming an inevitability in government economic policy even in the non-capitalist economies. Appropriate consideration should therefore*

be given in national policies and legislations for cooperatives, which should be a tandem with this changing trends and not to exclude the cooperatives from the changes. National plans should consider appropriate roles for cooperatives as suitable vehicles and institutions in assisting income distribution, checking inflationary trends and as an agent for a caring society. Towards this end a national forum between the movement and government be established to facilitate dialogue (National Coordination).

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

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

- i) The cooperative member should be free to decide on the size, nature and composition of their cooperatives (structural transformation);*
- ii) A cooperative should not be compelled to act as an agent of Government and where such agencies function is entrusted to a cooperative appropriate payments should be made by the Government for the performance of this agency function (Viability of the cooperative);*
- iii) Cooperatives should be provided with tax and other incentives, as available to big business who are engaged in export oriented activities (Cooperative friendly environment);*
- iv) A massive effort has to be made to improve human resource development within the cooperative system (Structural changes);*
- v) Cooperative should meet the needs of members adequately, efficiently and courteously (Goodwill);*
- vi) Cooperative should be left free to formulate the strategies necessary for their development ensuring, of course, that this does not go counter to government policy (Autonomy);*
- vii) There should be free environment for cooperatives. (Co-operative friendly environment);*

- viii) *Cooperative leaders must themselves be users of cooperative. (Genuine leadership);*
- ix) *Professional management must give major priority to quality, efficiency and economy in the performance of various functions (Competitiveness);*
- x) *As in the case of primary societies responding to members needs the secondary apexes in their turn must be responsive to needs and directions to their membership (Structural Changes);*
- xi) *Cooperative should use technology to ensure improvement in efficiency and reduction in cost (Innovative approach);*
- xii) *The rules and regulations, departmental or otherwise, which obstruct the cooperative working need to be removed (Legal environment);*
- xiii) *Each cooperative should formulate its own plan on the basis of members need (Structural transformation);*
- xiv) *Cooperative should welcome the free economy as a wonderful opportunity to extend their activities and increase their turnover (competitiveness);*
- xv) *There should be clear declaration of policy by the Government in regard to status and the rule of cooperatives (Co-operative friendly environment);*
- xvi) *There should be Government support without government interference (Co-operative friendly environment);*

*The **SAARC Cooperative Forum** held in Colombo, Sri Lanka, from March 3 to 5, 1994, and attended by movement and government delegates from five SAARC member countries (Bangladesh, India, Pakistan, Nepal, and Sri Lanka) came up with the following recommendations :*

- 1. It was the considered opinion of all participating members that the respective Governments and Movements of the member countries will have to get the Draft Constitution accepted before final ratification; hopefully the MOU signed by delegates of the respective members, implied acquired service in the need for a SAARC Co-operative Forum and also to enable the delegates to perform the required formalities in their respective countries before final ratification of a SAARCCO CONSTITUTION.*
- 2. Since the SAARCCO would take time to be established, it was agreed that the short term recommendations of the SAARC Co-operative Leaders Consultation could be implemented whenever possible.*

3. *That all delegates unanimously agreed on the need for exchange of views in the region, and this Forum would fulfil this need.*

4. *The SAARC Leaders' Consultation would form part of the SAARC Forum recommendations. The recommendations stemming from the SAARC Leaders' Consultation are as follows :*

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

BACKGROUND PAPER III

REGIONAL COORDINATION

Regular Forum for Co-operative Ministers' Conference of Asia and the Pacific Region

1. The Jakarta Conference in 1992 recognised the importance of the Ministers' Conference because its recommendations helped greatly the governments and the national cooperative organisations in building a more conducive environment for the development of cooperatives.
2. The Conference felt the need to hold periodical meetings of the Ministers for the review of the development of cooperatives.
3. The Conference accepted the need to build financial resources to follow-up and continue Conference activities. It recommended that the governments and cooperatives in the region should contribute to meet the required finance. The ICA ROAP was asked to work out modalities of the Fund.
4. The Conference further clarified that such contributions will be on a voluntary basis.
5. The Conference noted with high appreciation the announcements of voluntary contributions to the Fund by Hon'ble Bustanil Arifin, Minister of Cooperatives of the Government of the Republic of Indonesia, a sum of US\$ 25,000 and by Hon'ble Dato Khalid Yunus, Deputy Minister for Lands and Cooperative Development of the Government of Malaysia, a sum of US\$ 20,000.
6. Globalisation implies and calls for greater working coordination among cooperatives in the region and outside it. This may promote international economic collaboration and better international trade relations. Regional policies may be formulated in such a manner that while safeguarding the national interests of each country in the region, countries may also mutually help each other. Technology transfer within the region be encouraged. To achieve this end, the Ministers' Conference could be made a regular forum with its own Secretariat, so that the Ministers of Cooperation and cooperative leaders may meet periodically to discuss common problems and evolve measures for strengthening cooperatives, both nationally and internationally.

7. It may be mentioned that at present there is no international forum where Ministers, incharge of Co-operatives and leaders of Co-operative Movements can meet together to discuss issues relating to cooperatives at an international level except at the Ministers' Conference being convened by the ICA ROAP. ICA itself is an international non-government body and only national level co-operatives can become its members. The International Labour Organization (ILO), which is a tripartite organization consisting of trade unions, employers and Governments, is basically concerned with the trade union affairs and Food and Agriculture Organization (FAO) is concerned with Agriculture.

8. The Consultation held in Kuala Lumpur considered the subject and made following recommendations:

"It is the view of the Asia Pacific Consultation that a regular government-cooperative consultation is needed. For this purpose, it is necessary to set up a proper secretariat facility to support the preparation, and follow up activities, of the Regional Consultation. It has been expressed that the Secretariat should be housed at the International Co-operative Alliance, Regional Office for Asia and the Pacific. The Consultation recommends that this proposal be considered by the national co-operative organizations and be taken up with their respective governments to enable the Ministers' Conference to take the appropriate decision".

9. The Conference may decide on the question of making the Ministers' Conference a regular forum, creation of its own Secretariat and resources needed for Secretariat to follow up the recommendations of the Conference.

10. In view of the fact that the Secretariat should be responsible and accountable to a more regular institution other than ICA, the Ministers' Conference may also consider adopting the enclosed 'Resolution', which may be characterised as "Colombo Declaration" and draft Constitution.

COLOMBO DECLARATION

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

RECOGNISING THAT the Governments in the developing countries

1.1 accept cooperatives as an effective and potential instrument of economic development and alleviation of poverty;

- 1.2 have conviction in democratic values/democracy;
- 1.3 increasingly adopt market oriented economy;
- 1.4 want preservation, promotion and protection of domestic and international peace; and
- 1.5 appreciate the development of cooperatives and support them.

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

3. BELIEVING THAT

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

DRAFT CONSTITUTION

1. NAME

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

2. OBJECTIVES

The objectives of RECCO shall be:

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

3. MEMBERSHIP

Membership of the RECCO shall be open to the Governments (Ministries/ Depts. In-charge of Cooperation), Government organisations set up for the

promotion and assistance of cooperatives and national level cooperative organisations.

4. MEETINGS

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

5. SECRETARIAT

The Regional Director of the ICA ROAP or any other person approved by the Council shall be the ex-officio Secretary General of the RECCO. He may be assisted by an Assistant Secretary General and/or other officials.

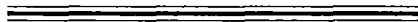
The RECCO shall have its own Secretariat at the ICA Regional Office at 43, Friends Colony, New Delhi, to start with.

6. FINANCES

- 6.1 Members subscription;
- 6.2 Contributions
- 6.3 Donations
- 6.4 International Donors Assistance

7. The RECCO shall have a Governing Council consisting of one representative each from the concerned Ministry and National Cooperative Organization from each member country.

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



BACKGROUND PAPER - IV

SUPPORT FROM THE ASIA PACIFIC REGION ON THE UNITED NATIONS SECRETARY GENERAL'S REPORT IN THE U.N. GENERAL ASSEMBLY IN 1994

1. The Secretary General of the United Nations in the meeting of the Economic and Social Council of the United Nations (ECOSOC) held in July 1992 presented his report on the "**Status and Role of Co-operatives in the light of new economic and Social Trends**". Based on this report, the Economic and Social Council unanimously approved a Resolution in favour of Co-operatives. A copy of the Resolution passed in 1992 is enclosed hereto.

2. The forthcoming meeting of the ECOSOC will be held during the later part of 1994, in which another report of the Secretary General on the present status of co-operatives will be presented. Based on this report, a Resolution is expected to be again considered by the ECOSOC.

3. In the last session, out of 19 countries sponsoring the Resolution, only two countries were from Asia, namely the Philippines and Vietnam. It would be desirable to have a maximum number of countries from Asia and the Pacific during the forthcoming session to propose and support the Resolution.

4. This subject was considered in the Kuala Lumpur Consultation which made the following recommendation:

"In an attempt to gain full support from the Asia-Pacific Region on the Secretary General's Report to the United Nations General Assembly in 1994 on the "Status and Role of Co-operatives in the light of new economic and social trends", the Consultation recommends that governments from the Asia-Pacific Region sponsor and support the UN Resolution on the 'above' at their forthcoming Economic and Social Council meeting in the later part of 1994".

5. The Conference may review the progress made in this regard by the member-countries.

**RESOLUTION UNANIMOUSLY APPROVED BY
ECOSOC ON 28 JULY 1992**

***The Role of Cooperatives in the Light of new
Economic and Social Trends***

The ECOSOC Resolution whose text is given below was co-sponsored by the representatives of the following member States:

Benin, Bolivia, Canada, Chile, Costa Rica, Cote d'Ivoire, Ecuador, Guinea Bissau, Honduras, Lebanon, Lesotho, Malawi, Morocco, Nicaragua, Philippines, Poland, Togo, U.S.A. and Vietnam.

The Economic and Social Council:

Recalling General Assembly resolution 44/58 of 8 December 1989, particularly paragraph 4, in which the Secretary-General was requested, in consultation with Member States and relevant organizations of the United Nations system, to prepare a report on the status and role of cooperatives in the light of new economic and social trends,

Welcoming the report of the Secretary-General on the status and role of cooperatives in the light of new economic and social trends,

Recognizing the importance of the policy-oriented research being undertaken by the United Nations Centre for Social Development and Humanitarian Affairs concerning the relevance of cooperatives to the achievement of the social policy objectives set forth in the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future, in the execution of which it acts as focal point within the United Nations system,

Bearing in mind the 1995 will mark the centenary of the establishment of the International Cooperative Alliance,

Noting with satisfaction the important recommendations contained in the report of the Secretary-General directed towards ensuring the best possible means of dealing with the issue of cooperatives in the light of their broad significance in contributing to the solution of major economic and social problems,

Welcoming the recommendation contained in paragraph 4 (a) of the report of the Secretary-General, and bearing in mind the substantial support shown by Governments and by the international cooperative movement for the idea of observing an international day of cooperatives,

Indicating its appreciation to government agencies, national organizations representing cooperatives, United Nations specialized agencies and other organizations, especially the Committee for the Promotion and Advancement of Cooperatives, for their valuable contribution,

1. *Notes with appreciation* the report of the Secretary-General on the status and role of cooperatives in the light of new economic and social trends;
2. *Recommends* the General Assembly proclaim an international day of cooperatives to be observed on the first Saturday in July 1995, marking the centenary of the International Cooperative Alliance, and that it consider the possibility of observing an international day in future years;
3. *Encourages* Governments to consider fully the potential of cooperatives for contributing to the solution of economic, social and environmental problems in formulating national development strategies;
4. *Encourages* the United Nations Centre for Social development and Humanitarian Affairs to redouble its efforts of support and coordination in order to achieve the social policy objectives set forth in the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future;
5. *Invites* government agencies, national organizations representing cooperatives, United Nations specialized agencies and other organizations, especially the Committee for the Promotion and Advancement of Cooperatives, to maintain and increase their programmes of support to the international cooperative movement, to the extent possible within existing resources;
6. *Also invites*, as the Economic and Social Council has already done in its resolution 1668 (LII) of 1 June 1972, the United Nations specialized agencies that have a substantial interest in cooperatives, especially the United Nations Industrial Development Organization, as well as other organizations, especially the World Bank, the International Fund for Agricultural Development, and other concerned international organizations of cooperatives that are not yet members of the Committee for the Promotion and Advancement of Cooperatives, to become members at an early date in order to ensure its effectiveness by their contribution of appropriate resources;
7. *Recommends* that the General Assembly, to the extent possible within existing resources, request the Secretary-General Assembly, to maintain and increase the support provided by the United Nations to the programmes and objectives of the international cooperative movement and, in his next report on the status and role of cooperatives in the light of new economic and social trends, to indicate the progress made towards that goal.

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

ICA Library



ICA 02321