

# Review of International Co-operation

Volume 82 No 1 1989

The ICA logo consists of the lowercase letters 'ica' in a bold, sans-serif font. To the right of the letters are several horizontal lines of varying lengths, creating a stylized graphic element.



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# Review of International Co-operation

Vol. 82 No. 1/1989

Editor: Mary Treacy



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## Editorial



Recent developments in the Soviet Union have made co-operators in other countries hungry for news of the current situation in this country. We had difficulty in obtaining an article on this subject, even though material was promised from various sources. Finally, an article requested from Centrosoyus was delivered within a week, albeit in Russian, thanks to the new fax which has recently been installed in Centrosoyus's head office in Moscow. It was also thanks to a rapid response from Anatoli Fomin, Vice Chairman of the Working Party on Co-operative Communications, which has as one of its objectives helping ICA implement its Communications Programme. (see translation page 5).

Colleagues from the Working Party helped in other ways with preparing this issue. After a discussion with Dr. Robert Houlton, Principal of the Co-operative College in Loughborough (UK), I had decided to run an interview with a successful woman co-operator in each issue. During a meeting with the WPoCC and the Women's Committee in Berlin last April, I shared this proposal. Not only was it unanimously endorsed, but Iain Williamson, one of the WPoCC Executive members, offered to start the ball rolling by interviewing Ms. Jevgenia P. Vasjukhina, Vice Chairman of ICA Women's Committee (see page 55).

A third Working Party effort is the interview with Dr. Alicia Kaplan de Drimer from Argentina (see page 57), which was conducted by Hilikka Kempainen, editor-in-chief of ME magazine, Finland, and member of the WPoCC.

Dr. Erwin Hasselmann, who used to be editor of the Review himself in the 1930s, wrote to me to suggest more in-depth articles on ICA member organizations, and has helped us rectify this lacuna by providing some of the material for this issue which contains in-depth articles on the state of the consumer movement in Japan, Finland and Turkey.

This issue also contains two articles from the USA, two from the People's Republic of China and two on Co-operation and the Labour Movement. Women's issues are not ignored as, in addition to the interview with Ms. Vasjukhina, there is an article entitled "Influence not Power - Women Working Co-operatively". We hope you will enjoy this issue and will continue to send in your suggestions for improvement, future articles, etc.

Issue, No. 2 1989 will be a special issue on India to coincide with our Central Committee meeting which will be held in October in New Delhi. Issue No. 3 will be our annual report for 1989. Issue 4 1989 will be a general interest issue. Deadline for submissions for this issue is September 15.

Please note articles should be no more than 10 double-spaced typed pages and accompanied if possible by a selection of well-contrasted black and white photos for illustration.

Mary Treacy  
Director of Communications

## Message From The President



Very often co-operative efforts seem to be aimed at solving or avoiding conflicts between individuals or levels inside the movement. These conflicts might be the result of power struggles or they might be provoked by financial questions. By nature conflicts irritate. Consequently, it is all too easy to draw the wrong conclusion, i.e., that all conflicts are destructive.

In fact they are not. Often they expose weaknesses. Faced with conflicts we have to make efforts and, even when we lose in a conflict situation, we gain expe-

rience. A life or a co-operative without conflicts is beyond imagination. To sweep a conflict under the carpet is, in any case, a bad habit if you want to get rid of the irritation it causes.

There are other kinds of conflict which are ongoing. One of these is found between practice and theory, between action and thought, maybe also between spirit and body.

In every co-operative you will find those who just put forward their vision and their demands. They seem to care little

about economy financial and difficulties. As a contrast to these you find those who identify themselves as being responsible and realistic. They seem to care little about the co-operative in its role as a movement. Some even take the attitude that it is just another enterprise.

This conflict is in fact a precondition for co-operative life. When business is poor, the voices of the vision tend to become more feeble. When business is good, there is more "generosity" from the holders of power, more risk-taking, a better climate for innovations and expansion.

It is like a commuting vessel in the ideal case. The conflict goes on and equilibrium is rare because it equals passivity. You can almost hear the heart of the movement thumping away at members' meetings and congresses, as well as in the daily work of the co-operative - often, but not always. In a crisis situation, the heart may suddenly stop. Bankruptcy is so close that no room is left for ideals. It is like an icy chill entering the membership. Resignation follows, but with it a feeling of betrayal.

Members ask: "How could it happen?" "Could it have been avoided?" "Why were we not informed in good time to make necessary changes?" The questions are well known from many similar situations and they will also be repeated in the future. Success in economic life is always a result of good performance, and co-operative failures now and then can never be excluded, but...

When I started to reflect on the basic values of co-operatives for my report to the 1988 Congress, I decided to introduce honesty as one of them. I did so from my own experiences and observations of the behaviour of many. If you do not speak the full truth, if you try to avoid unpleasant decisions, if you fool people into believing that Co-operation offers a safe way to Paradise, through a peaceful landscape, then you are lost.

The reaction to this attempt to feature honesty as a basic value of the Co-operative Movement has been both positive, encouraging and a bit surprising. I found that lack of honest information was not only recognized in Sweden, or in Scandinavia, or even in Europe, but also in all continents and all branches. Many bore witness to this.

This wasn't what surprised me, we are, after all, merely human. What surprised me was that something so evident attracted so much attention.

It has made me wonder if our principles should include a clear demand for openness and honesty. What was self-evident in 1844 might have to be put on paper in times when our enterprises and their economic transactions have become less and less transparent to their owners - the co-operators.

The constructive, everlasting conflict between vision and practice might require clear, concise guidelines. I am sure that the present debate on basic values and principles will help us to come to a decision on this all important question.

Lars Marcus

# Rebirth of Co-ops in the Soviet Union

By Anatoli Fomin\*



*A Centrosoyus food store in Moscow*

## Perestroika & Co-ops

Due to the "Perestroika" (restructuring) policy the Co-operative Movement in the USSR is experiencing a second birth. The "Perestroika" policy, whose basic concept is that the individual should be placed in the centre of the economic and social policy, has made it vital that co-operatives are widely used in the

production of consumer goods, provision of services and trade. Of course, co-operatives participated in such business activities before. However, the conditions under which they had to function and their social standing were highly questionable.

During the era of Stalin-Breznev rule, authoritarian methods of management dominated in all spheres of economic and public life, democratic principles were ruthlessly trodden down and the

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*A display of sportswear produced by a new co-op in Moscow*

role of co-operatives was diminished to that of a secondary adjunct of the State economy.

The consumer co-operative sector was transformed into a bureaucratic system which could not maintain close ties with members. Rigid regulations and economic plans and various limitations were imposed on the co-operatives, and there were even instances when co-operative property was confiscated by the State.

### **New Law on Co-ops**

Today the policy has radically changed towards co-operatives. A number of recently adopted decrees and decisions, in addition to the "Law on Co-operatives", which was passed by the Supreme Soviet in May 1988, have given the "green light"

to the development of the Co-operative Movement. The new law proclaimed the co-operative sector as an independent sector of the national economy, equal to that of the State. Numerous obstacles and limitations to worker producer co-operatives have been surmounted and favourable conditions have been secured for the establishment of new co-operatives, including open and voluntary membership for all. Co-operatives have obtained the right to attract finances from various sources, limitations on personal income have been lifted and the co-operatives' right to enter foreign markets has been confirmed. These and other provisions mean good prospects for the development of the Co-operative Movement in the USSR and we are beginning to see some results.



### Government backs Co-ops

At the 6th All-Union Congress of Collective Farmers, Mikhail Gorbachev spoke about the necessity of a radical restructuring of the consumer co-operative system, so as to better exploit its great economic and social potential. Even more significantly, for the first time in Soviet history, the full Politburo, headed by Mikhail Gorbachev, attended a Co-operative Congress. This was the 12th Congress of Soviet Consumer Co-operatives which was held in March 1989. The Congress discussed the problems of restructuring the consumer co-operative system. Transformations have started with the revival of village co-operative societies. In 1988 their numbers increased by 2,000, or almost a third. In addition, 8,300 producer and service co-operatives

were formed within the consumer societies - according to the latest statistics, the total number of co-operatives of this type is about 80,000. The turnover of trade enterprises and purchasing agencies has increased.

The status of consumer co-operatives has also changed with the reinstatement of self-management principles and their newly acquired right to plan their operations and have a free hand in using funds and capital. As a result, the bureaucratic staff in the co-operative unions' head offices, including that of Centrosoyus, have been reduced by up to 40%. This process will continue, as it is evident that economic management methods must replace the previous authoritarian administration.



*New Fishing Co-operative in Karelija, in the North of the Soviet Union*

Another new development is the formation of consumer co-operatives in urban areas. Many such co-operatives have been established in Moscow, Leningrad, and other big industrial centres. Consumer co-operatives have also taken charge of all the markets situated in cities and towns. The development of a network of co-operative stores, specializing in selling agricultural products, is being actively encouraged. Collaboration between the established consumer movement and the new producer co-operatives is gaining momentum. Consumer co-operatives offer help in acquiring raw materials, machinery, renting premises, etc.

### **The "New" Co-operatives**

As far as new co-operatives are concerned, they are mainly engaged in the production of consumer goods and in providing services for the population. The spectre of their activity is very wide. They fabricate ready-made clothes, hand-made articles, bread and groceries, breed animals and poultry, construct and repair houses and apartments, and act as middle-men in trade deals and other businesses. New co-operatives are establishing their district, city and regional unions. A constituent congress was recently held in Moscow, at which the Union of Producer Co-operatives of the USSR was formed. This union declared its intention to seek membership of *Centrosoyuz*.

New co-operatives face many serious organizational and operational problems.

Some of these problems are caused by the hostile attitudes of bureaucrats and people envious of the co-operatives' high earnings and relative independence. But it has never been easy to pave the way for new ventures.

Regulating the price mechanism is another difficult problem (co-operative prices are often much higher than those of state enterprises), as is taxation, transport and fuel supply, etc. However, these difficulties are inevitable features of growth and, hopefully, they will be overcome.

### **The Future Looks Good**

Co-operative democracy is coming to life. Nowadays member meetings play a greater role in co-operative activity. The principle of electing co-operative managers on an alternative basis is being reestablished.

At the time these lines are being written, the Congress of the USSR People's Deputies is working in the Kremlin. Forty representatives of Soviet consumer co-operatives are taking part in the Congress. They will protect the interests of the Co-operative Movement at the highest level. One of the co-operative representatives, N.P. Vasilchuck, a chairman of Khmel'nitski regional union, has been elected to the Supreme Soviet.

Such is the reality. Yes, the co-operative movement in the Soviet Union is experiencing a new birth.

# Japan's Consumer Movement

## The World's Largest Consumer Co-op Organization

by Erwin Hasselman\*



The Japanese consumer co-operative movement is the only national organization of consumer co-operatives outside Europe which has succeeded in achieving power and influence. The few other non-European consumer co-operatives such as El Hogar Obrero in Buenos Aires or TUCS (Triplicane Urban Co-operative Society) in Madras, which are still functioning successfully today, were established on the lines of European models and were not fundamentally different from those models in structure, working

methods and objectives. The fact that the initiators of the first Japanese consumer co-operatives knew something about the Rochdale pioneer co-operative undoubtedly played a role, but later the Japanese organizations went their own way.

### The early days

The first consumer co-operatives in Japan were founded as early as the 1870s. In 1872, an undertaking was made "for the joint purchase of consumer goods". In 1878, four more consumer co-operatives were formed shortly after a newspaper had recommended the founding of co-operatives on the lines of the Rochdale model. They were soon to disappear again. They had not been founded by workers, as in England, but by civil

\*\*Dr. Erwin Hasselmann was member of the Board of Directors of the German Consumer Co-operative Union until his retirement in 1967. From 1934 - 1948 he was employed by the ICA in London as journalist and editor. He writes regularly on co-operative issues.

servants, salaried employees and merchants. The development conditions which had facilitated rapid growth of consumer co-operatives in England did not yet exist in Japan.

Japan had not broken with feudalism until the 1860s, which had meant the barter economy was still largely in operation. Industrialization began only slowly in the 1890s, which also saw the emergence of the first trade-union organizations. Finally, in 1898, the first consumer co-operative was founded by workers. Even this co-operative was denied success, however. When strikes began to be organized towards the end of the century, the government intervened. A law "to maintain public order and security", passed in 1900, gave the State the means to disband the trade-unions and the co-operative they supported.

In the first decades of this century, factory consumer co-operatives were set up in many companies, independently of the trade-unions and frequently with the help of the company management. In times of war and recession, many of them disappeared again, and the companies themselves often assumed responsibility for supplying their employees with day-to-day necessities. Today there is still a large number of factory co-operatives, although they have little room for further development and are insignificant in relation to the economy as a whole.

#### **After the First World War**

Only after the First World War, when the industrialization of Japan was making rapid progress and the re-legalized trade-unions were gaining strength, were numerous consumer co-operatives

founded (78 from 1919 to 1926). Bourgeois circles were also involved to a great extent in most of them. In 1921, in the Osaka area, two such organizations, "Kobe Shohe Kumiai" and the "Nada Kobai Kuniai", were founded. Their merger was later to give rise to the world's biggest consumer co-operative.

#### **Toyohiko Kagawa**



Despite the initially favourable development, the majority of the consumer co-operatives suffered a severe crisis in 1924. It was, above all, thanks to the intervention and personal dedication of Toyohiko Kagawa that many were able to avoid collapse at that time. Toyohiko Kagawa (1888-1960) was, for a long time, the driving force of the Japanese co-operative movement, of both the farmers and the consumers. But, he was more than that. He had experienced poverty first hand in the poor district of Kobe and became a sociopolitical thinker who was later responsible, among other things, for the rehabilitation of the poor quarters in the major cities.

Kagawa wanted to make the co-operative the basis of a new social order - "Brotherhood Economics", he called it; this was the title of one of his books, which was translated into English. He founded numerous co-operatives himself and was always on hand to offer them his advice. In times of crisis he succeeded in mobilizing funds to overcome the difficulties.

It was thanks to the influence of Toyohiko Kagawa that the consumer co-operatives' losses remained limited even in the recession years of the 1930s and that a growing sense of community developed between them. In 1931, a consumer co-operative umbrella organization was founded, whose work, like that of the consumer co-operatives, was increasingly hindered by interference from the authorities. The absence of a law governing co-operatives also made it difficult for the consumer co-operatives to develop, as they were still subject to the, for them inadequate, provisions of the commercial companies' law of 1901.

Since the outbreak of the Sino-Japanese war in 1937, the consumer co-operatives had been facing growing difficulties, mainly as a result of discrimination in war-economy regulations. Thus, when in 1940 overall rice production and distribution were placed under government control, only the large co-operatives were recognized as "registered rice distributors". At that time rice and rice products accounted for almost half of consumer co-operatives' turnover.

During the Japanese-American War (1941-1945) a large number of the facilities owned by the consumer co-operatives was destroyed by American bomb attacks. Only a few of the more than 200

consumer organizations, which were operating at the beginning of the war, were still in operation at the end.

### **A fresh beginning in a new age**

The defeat of Japan, the collapse of military rule and the re-organization of Japanese political life also created new conditions for the development of co-operatives. Once again Toyohiko Kagawa was on hand with his advice and active assistance. There was a boom in funding of new consumer co-operatives and an influx of members to those which had survived the war. After rationing was lifted at the end of the 1940s, co-operatives began to expand, although this was not matched by a corresponding increase in profitability.

In 1951, the old consumer co-operative central organization was disbanded and replaced by a new one with greater powers, the Nippon Seikatsu Kyodo Kumiai Regokai - Japanese Consumer Co-operative Union (JCCU). It joined the International Co-operative Alliance, in 1952. Today it is by far the world's largest consumer co-operative movement in terms of membership and turnover (with the exception of the USSR, whose co-operatives are, however, not comparable to those of the market-economy countries). In 1948, the enactment of the law on consumer co-operatives had finally given Japanese consumer co-operatives an adequate legal basis on which to operate. In 1953, this law was supplemented by the law on the co-operative bank. This bank was soon to become an important financing institute for the consumer co-operatives, as the agricultural bank had become for the agricultural co-operatives.

A prerequisite for the revival of the consumer co-operatives, in the period of growing prosperity that followed the Second World War, was that they should have an adequate number of qualified managerial staff. In this respect, they were helped by a specifically Japanese development. The co-operative idea had also established itself in Japanese universities and schools, and numerous university consumer co-operatives had been formed. In the course of time many managers of these co-operatives, whose scope of activities had become too restricted for them, moved to the general consumer co-operatives, where they found they had greater leeway.

#### Expansion of consumer co-ops

Many of the consumer co-operatives founded after the war remained small or disappeared. A considerable number had restricted themselves from the outset to a specific circle of consumers, such as the university and school co-operatives or the "internal company" co-operatives. Their expansion quickly reached its limits. Many of them had to contend with profitability problems. For the movement as a whole, however, this meant little. Each year since 1950 they had been recording rising profits, particularly in the 1980s, with only very rare, minor setbacks. Thus the consumer co-operatives' net profits rose from 8,039 million Yen in

#### Japan's Top 10 Co-ops

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

Charts reprinted from ICA Asian Consumer Co-op News - half yearly bulletin of the ICA Sub-committee on Consumer Co-operation for Asia, published by ICA Regional Office for Asia

## General Data on Japan

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

*Charts reprinted from ICA Asian Consumer Co-op News - half-yearly bulletin of the ICA Sub-committee on Consumer Co-operation for Asia, published by ICA Regional Office for Asia*

## Sum-up of Japanese Co-operatives: Progress in Figures

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

*Charts reprinted from ICA Asian Consumer Co-op News - half-yearly bulletin of the ICA Sub-committee on Consumer Co-operation for Asia, published by ICA Regional Office for Asia*

1980 to 16,439 million Yen in 1983 and 22,032 million Yen in 1985.

Closures and mergers had reduced the number of consumer co-operatives from 2,703 in 1947 to 606 in 1951, of which 69 (mainly regional) consumer co-operatives had joined the Consumer Co-operative Union. Since then, their number has risen again. There has been an extremely sharp rise in the number of co-operatives within JCCU.

Although the co-operatives which are not members of the JCCU have a large membership, their economic potential is low. Most of them, such as the school and university co-operatives, cover only a relatively small proportion of their members' needs. According to INTER-COOP's annual statistics (in which amounts are converted into dollars) the 663 co-operatives affiliated to the Japanese Consumers' Co-operative Union increased their turnover in 1969 by 9.3% to US\$ 12.8 billion, the inflation rate being only 0.5%. The previous year, the turnover of the Union consumers' co-operatives had increased by 10.3% with an inflation rate of 2.1%.

### **Consumer Co-op Self-Help**

The Japanese consumer co-operatives have made great progress since the 1960s and their number has overtaken that of Europe's old consumer co-operative movements. While most European organizations were making heavy weather of following new trends in the retail trade and changes in consumer behaviour, the Japanese consumer co-operatives went their own way and succeeded in influencing the development of the retail trade. They did so, as it were, from the bottom

upwards, with their members organizing "co-operatives within a co-operative" to promote consumers' interests.

The fact that this was a success in most large and medium-sized organizations gave the Japanese consumer co-operative movement its unmistakable image. And it undoubtedly made a crucial contribution to their economic success.

Of course, there are many reasons for this success. The upturn in the Japanese economy after the Second World War benefited the Japanese consumer and thus the consumer co-operatives, which secured a growing portion of consumers' rising purchasing power.

These economic factors, as well as social factors, such as the greater receptiveness of many students to questions of co-operative self-help, did their bit to ensure that the Japanese mobilization and organization of consumers' interests was a great success within the co-operative.

### **The Han - a "grass roots organization"**

The "Han" (an active group or community) of co-operatively organized consumers, which today forms an integral part of the consumers' co-operative member organization in the regional co-operatives, has only existed for about 25 years. The consumer co-operative first saw the light of day in Tsuruoka, a town in the north of the main island of Honshu. Loose groupings of dissatisfied consumers already existed. When at the end of the 1950s, complaints about the quality of milk products multiplied, small groups of co-operative members formed,



seeking to establish direct contact with individual farmers and farmers' co-operatives. With the help of their co-operative, this led to supply contracts for high-quality milk and milk products. From this developed the Han system, which involves the group in the process of supplying consumers with goods.

Although, under this system, contracts with suppliers are drawn up via the consumers' co-operative, the latter supplies the Han group rather than the individual consumer. The group representative (invariably a woman) attends to the ordering, storage and distribution of goods and takes care of the finances. As the group is small (usually 10-12 families) and orders are matched to requirements, the Han's business activities involve virtually no risk. In the course of 1987, the system's techniques were refined and extended to a very large selection of goods,

which were subject to strict quality control. This control was the pre-condition for the Co-op's own brand to become a genuine quality label. The Co-op brand has contributed greatly to the rapid growth of the consumer co-operatives.

It is above all thanks to the central organization of the JCCU that the close-knit Han groups grew out of the initially loose, community groups, and that the Han then very rapidly became established in all important consumer co-operatives. The JCCU recognized the importance of the Han as early as 1964 and integrated it into its structural programme for the co-operatives. It was mainly the major regional co-operatives, such as the Nada-Kobe Co-operative, which introduced and perfected the Han system. It is not by chance that today, three of the five largest non-national, i.e. traditional, consumer co-operative en-



*A Han Meeting in progress*

terprises are Japanese. The two others are Konsum Stockholm and Co-op Dortmund-Kassel eG. The table below is a comparison of the five leaders in 1986: Since the middle of the 1970s, the development of consumer co-operatives has accelerated tremendously. Joint purchasing by the Han groups has risen sharply. In 1974 only 6% of the total sales of JCCU co-operatives were accounted for by joint purchasing. By 1980 the figure was already 19.9%, and in 1985 the Han groups' joint purchasing had risen to 36.8% of their total turnover.

The JCCU consumer co-operatives' total turnover increased from 321,978 million Yen to 1,873,100 million Yen between 1973 and 1985. Over the same period, membership of these co-operatives rose from 3,978,000 to 10,180,000 and to 11,134,000 in 1986.

### **Genuine self-help**

What are the reasons for the broad dissemination and great success of the Han? What is its structure and how does it work? What effect does it have on the co-operative enterprise?

It is said that the Han is rooted in the "Japanese preference for forming groups", which is thought to derive from a sense of community seeking its practical realization. Yet, in the consumer co-operative there is said to be another special reason for the formation of groups. It is alleged to give women, who have little opportunity to participate in Japanese public life, a framework for a semi-public activity. They have seized this opportunity with energy and success. It is, indeed, women who set the tone in the Han groups.

In many European and North American co-operatives the idea of self-help, which was the focal point of co-operative ideas and goals for Raiffeisen, Schulze-Delitzsch and the Rochdale pioneers, has been neglected or even abandoned. And in many cases, members' indifference has made a "managerial revolution" possible. In Japan, a counterbalance to the power of management has formed in the Han groups. The work of these groups has also eased the pressure on management. The Han has not only strengthened the market position of the consumer co-operatives by its members' high "purchasing loyalty", but has also led to a marked reduction in operating costs.

From the business management point of view, the Han simply means the transfer of some of the co-operatives' business functions to its members. Without the sustained interest of the members, and without efficient organization of the group, such a transfer of functions would be impossible.

The members' interest, mobilized by and in the Han, was initially purely consumer interest in the quality and price of the merchandise. People wanted safeguards, even vis-à-vis the co-operative. Thus they had to, and wanted to, participate themselves.

Joint representation of the interest of the small groups of members developed, with the approval of the co-operative management, into fruitful co-operation between management and the group; and finally led to the self-help groups' integration into the overall decision-making process.



*Above: Joint Buying System in Action: Goods are unloaded at the on-duty-member's home - then each member of the Han group picks up her order.*

*Below: The Han also organizes social gatherings; here women meet with their children for a common meal after a member meeting.*



## ***How does this Japanese-style consumer co-determination work ?***

### **Han structure and Han work**

Over the years the working methods and organization of the Han have constantly improved, but the foundation, the small group of ten to twelve families, has remained intact.

A representative (often a woman) elected by the members collects the members' orders, sorts them and passes them on to the central office, which delivers the goods to the representative, either directly or via the nearest sales outlet. She ensures that the goods are distributed to the members of the group and settles with them and the central office. In the event of complaints about the goods, she represents the group in dealings with the management.

This is the original concept of group work. Today the groups also arrange to test goods, and make proposals for improving their quality, the product range and pricing policy, as well as general co-operative policy.

If the image of Japanese consumer co-operatives has constantly improved in recent years with the quality of the growing number of Co-op brands, this is due not least to the activity of the Han groups.

However, the Han's activity today is no longer confined to supplying its groups with goods or ensuring the well-being of its co-operatives. The Han groups have developed a group consciousness of their own. They co-operate and are very concerned about issues relating to consumer protection, environmental protection, the

maintenance of peace, etc. The question also arises time and again of the purpose and aims of co-operative work, co-operative ideology and the role of the co-operative in the economy and society. Co-operative democracy is thus increasing in importance within the community life; especially as the consumer co-operatives' catchment areas now cover 30-40% of all households.

### **Pre-requisites for & results of Han self-help**

Without the Han and its consistent encouragement by the JCCU, the speed at which consumer co-operatives have developed in Japan would have been slower and their economic and social results less spectacular. Without the liberalization of economic, social and political life after the Second World War, the Han communities in turn would hardly have had a chance to develop within the consumer co-operatives. Until the end of the Second World War, the co-operatives were subject to numerous regulations imposed by the authorities and were also exposed to frequent arbitrary interventions, which had a restraining effect on their development. They were subject to the commercial companies' law of 1900, which by no means did justice to their character. Not until 1948 and the law on consumer co-operatives did they obtain a legal basis appropriate for them. 1953 saw the adoption of the law on the co-operative bank, which permitted them to finance their investment projects on relatively favourable terms.

But the Han undoubtedly helped to ensure that relatively few bad investments were made on these favourable terms.

### Statistical Comparison of Japanese Co-ops and Co-ops in the UK, Denmark and Switzerland

	Members (thousand)	Turnover (mill.US\$)	Sales outlets	Employ- ees
Great Britain, Co-op Union	8,080	7,408	5,200	80,600
Switzerland Co-op Switzerland	1,210	4,116	1,334	27,100
Denmark, FDB	1,025	3,682	1,599	18,000
Japan, JCCU	11,135	12,840	2,108	44,400

Without the Han, the consumer co-operatives' distribution network would have had to be much smaller, storage costs would have been substantially greater, and much more labour would have had to be employed - even if they had not achieved the high increases in turnover that characterize their development.

The above comparison, based on the INTERCOOP statistics for 1986, of the number of shops and employees with the turnover and membership of the Japanese consumer co-operatives and those of some European countries, gives an idea of the great differences in the cost structures of these co-operatives.

Here we have a contrast between two successful European consumer co-operative movements (Switzerland and Denmark), one which has been in decline for some time (Great Britain), and the extraordinarily successful Japanese consumer co-operative movement. A comparison of the systems and results will, of course, also reveal considerable differences between the consumer co-operatives of the European countries, but these are by no means as great as those between the Japanese and European organizations. The Han is, naturally, not the only reason for this, but it certainly plays an important part.

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# A Revolution Hits U.S. Farm Co-operatives

by James M. Patrico\*



After a long absence, optimism has once again reared her pretty head among agricultural co-operatives in the USA. Co-op officials -- even though they serve a still-slumping farming industry -- say the worst of some very bad times is behind them and, with any luck, good times are just ahead.

\*James M. Patrico is a freelance writer/photographer. He has won the prestigious Oscar in Agriculture writing award from the American Agricultural Editors' Association and was twice named that organization's photographer of the year.

The reason for this optimism is what many are describing as a revolution in the agricultural co-op industry. It is a revolution that will change some basic aspects of co-ops, from the services they offer to the democratic procedures that have always been a part of their nature. Some of the changes will be exciting to farmers; others will be unsettling.

Whatever their reception, changes of some sort were long overdue in an industry often too slow to adapt. As one co-op official put it, "I'm tired of reading about how co-ops are in trouble. We're not

looking to the past any more; we think the future looks darn good”.

It's about time, too. For the last six years, the annual reports of most agricultural co-operatives have been litanies of financial losses, facility closures and asset selloffs. The capper came in 1986 when Farmland Industries, Inc., then the nation's largest regional co-op, had to tell its members that it lost an embarrassing \$152 million -- its third multimillion dollar loss since 1980. Other co-ops swam in shallower pools of red ink, but the general story was the same: lagging sales, dim prospects for a turnaround.

It is hard to blame co-ops alone for the mess in which they found themselves after the farm depression began. Like farmers, co-ops were the victims of murderous interest rates, in-and-out government programmes and down-and-out commodity prices. Added to these disasters were falling petroleum prices which hit some co-ops particularly hard. (Farmland, for instance, depends on petroleum product sales for 41% of its volume).

To correct these problems, co-ops have tried a variety of approaches, none of which by itself is revolutionary. Taken together, however, their effect will be dramatic. The first mundane step out of the doldrums was one many farmers also tried: improving their cash flow. Co-ops did this partly by tightening credit restrictions to farmers. That meant calling in overdue bills and being tougher about new charges. Next, co-ops sought strength in numbers. In 1987, Cenex and Land O'Lakes, two large regionals in the

upper Midwest and Northwest, entered into a joint venture agreement that allowed them to eliminate some duplicate services in their feed and supply operations. In August, 1988, those two co-ops and Farmland announced plans to merge into a mega-co-operative so huge it would stretch from the state of Washington to the Gulf Coast and then north again to the Great Lake States. The idea would be to give the new co-op enough buying-power to compete effectively with privately-owned giants like ConAgra and Cargill. At this writing, negotiations for the merger are continuing. Even as the big boys sought to merge, locals were merging too. These mergers created a new level of co-operative structure some are calling "super locals." These are big enough to offer many of the services regionals offer, yet they are small enough to allow farmers to maintain a strong say in their operation.

Both large and small co-ops also began to streamline their operations to eliminate inefficiencies. For years, co-ops had over extended themselves because of predictions of unlimited growth in the agricultural sector. Lately, "a lot of co-operatives have bitten the bullet and brought their cost structures back into line", says Randall Torgerson, administrator of U.S. Department of Agriculture's Agricultural Co-operative Service.

For regional co-ops, that has meant cutting back staff, closing production facilities and eliminating some services. For local co-ops, bullet-biting has meant fewer employees and a reduction in some customized services like fertilizer application.



In extreme cases, where locals have not been able to get costs under control and where competition for farmers' dollars became too great, co-ops have simply gone out of business. Since 1980, according to USDA lists, 560 agricultural co-ops have folded. Another 329 have merged or consolidated with other co-ops and 230 have sold out to other co-ops or private companies.

The disappearance of local co-ops is a trend that will continue, according to Vern Moore, a former senior vice president of Land O'Lakes. He says the number of local co-ops in the Midwest could be cut in half within the next five years: "We have seen this happen for 30 years. It's just happening faster now".

And while local co-ops are disappearing, regional co-ops are warning farmers not to look to them to fill the void. Farmland's CEO James Rainey, says his co-op will still offer all the old services through locals, but with this proviso: "We are going to make money with our services, or we are not going to perform them".

This does not mean that regionals are going to cut their product and services lines to the bare bones. Indeed, one of the striking aspects of the current co-op revolution is the aggressive way regionals and locals are trying to expand their role in your farming operation. Cenex, for instance, in 1980, started a crop consulting service called Centrol. Operated on a franchise basis, Centrol allows Cenex to capture farmer dollars that used to go to private consulting services. After six years, Centrol had more than one million acres under contract.

New services are high on the wish list of many co-ops. Rainey says there is a

"high probability" Farmland will start its own crop consulting service. Last year, Farmland started a financial service division, and Rainey says next on the agenda could be electronic data processing and animal nutrition. This kind of talk makes USDA's Torgerson smile. He thinks co-ops should get into new marketing ventures and be more active in existing ones. "Co-operatives need to become customer-driven marketing organizations," he says. "They need to determine what the buyer needs and then provide it". He says co-ops should look to biotechnology and its products because they have the biggest potential for changing the way we farm.

As marketers of farmers' products, Torgerson says, co-ops have to be more innovative. The challenge for co-ops is to move a little further up the marketing channel." He wants co-ops to be more vertically integrated in the food chain. He urges them to take a cue from European co-ops in which "farmers are really managing their industry, rather than letting private companies make large profits by processing farmers' products.

USDA economist, John Dunn, says co-op's very nature often prevents them from moving in new, money-making directions. "They have an obligation to their patrons to provide certain products and services. They cannot just pick up their assets and move them to more profitable lines." But a recent trend toward joint ventures with corporations and privately-held companies may give co-ops a way to reach more profitable areas.

For example, Growmark, a regional co-op that serves farmers in Illinois, Iowa and Wisconsin, recently reached an agree-

ment with Archer Daniels Midland, a huge grain marketing and processing company. The agreement lets Growmark members market their grain directly through ADM, in essence making them part of a much larger outside company. "Joint ventures and outside agreements can get co-operatives into profitable new fields without committing the whole organization," Dunn says. Even with these outside ventures, some are concerned that the democratic structure of co-ops is a limiting factor to their future success.

James Rainey, who came to Farmland from private industry, says too much democracy has been part of the problem for co-ops. "The democratic process does not lend itself to good decision-making", he says. Farmland and other co-ops have been too slow to respond to change, partly because of that process, he says. Nationally, there is a lot of talk about amending the one-man-one vote system on which co-ops were founded. Many co-ops have already switched to a system that lets large-volume farmers have more say in how their local operates. A recent survey of about 7,000 Farmland members showed that while they approved of the one man - one vote concept, they thought co-op membership requirements should be higher. USDA's Torgerson says it is likely that variations on that "money votes" theme will become the rule in a co-op industry desperate to keep large producers in the fold. He is quick to add, however, that new voting systems do not change the fact that co-operatives are user-owned. Indeed, he says user-ownership of co-ops is important not only to co-ops but to farmers as well.

Torgerson was leery of another new gambit some co-ops pursued last year: selling stock. Both Land O'Lakes and Gold Kist (an Atlanta-based regional) sold stock in subsidiary companies on the open market. Gold Kist Vice President, Paul Brower, says the stock sale was necessary to expand a chicken-processing plant. "We have to expand to remain competitive. And this is an effective method of doing it. This kind of thing is a wave of the future". It's a trend, Torgerson says, co-ops would be wiser to avoid. In an era when mega-corporations are the trend and high technology is a tool for changing agriculture, Torgerson says it is important that farmers and co-ops -- not corporations and not stockholders -- own those tools. According to Torgerson, they need to ask themselves, "Are we going to run our own (supply and marketing) system or be part of someone else's?"

The answer to that question is basic to the future of farming. It may determine, Torgerson says whether the farmers of the 21st century are owners of their own operations or serfs for mega-corporations. That may be what this revolution is all about.

\* \* \*

*An addendum was subsequently sent in with the latest changes on the above facts. It reads as follows:*

*"Farmland, Cenex and Land O'Lakes called off their consolidation talks. At the same time, the regionals also decided to pursue a joint venture in their petroleum operations. Initial estimates say they can save their farmer-members \$30 million in the first year with such a joint venture."*

# The American Scene

## How to Kill a Co-op

by David Klugman\*

Killing a co-op is not easy. It took the Consumers Co-operative of Berkeley (CCB), California, once the flagship of American consumers co-ops, 25 years to commit suicide. The decisive moments at which the CCB went wrong could have been pinpointed at the time they occurred. Yet, as in Andersen's tale, the crowds kept "admiring the emperor's clothes" until it was too late, when everyone developed hindsight.

### How was the Co-op Killed?

CCB was unintentionally killed through a mixture of miscalculations, policy errors, and personality clashes, most of which reflected a violation of the Co-op Principles:

- 1) In 1962, a key decision was taken in secret by the board of directors, a violation of the Democratic Control Principle. The CCB bought out a larger chain of grocery stores, thereby biting off more than it could chew. This was repeated in 1974 with another chain. The customers of those stores could not be turned into "instant co-operators", yet they had to be serviced by way of notices, election materials, the

Co-op News, etc. - a huge burden on the CCBs resources.

- 2) For years the board of directors was dominated by different factions, reflecting Berkeley city politics. This violated the "Principle of Political Neutrality". Business concerns clashed with social concerns.
- 3) Starting in 1971, following the departure of the CCB's General Manager, who had served for 24 years, there was a seemingly unending flow of general managers, each recruited at great expense, hailed as a saviour and greeted with great expectations. A year or two later, each went out of the revolving door, freely or by request, under a cloud, with a great deal of bitterness on all sides. No manager can satisfy opposing factions.
- 4) The CCB and its co-op wholesale supplier engaged in open warfare, in violation of the "Co-operation Among Co-ops Principle".
- 5) General Managers were permitted to indulge their whims, regardless of cost. One wasted tens of thousands of dollars on luminous signs at each co-op store, spelling out his favorite slogan, at a time of financial stress. Another launched a pet project which

\*David Klugman has been a member of the Berkeley Co-operative since 1954, and has been writing about co-operative topics since 1962.

turned into a \$2 million disaster before it could be terminated. This turned out to be "the straw that broke the camel's back".

- 6) Despite repeated promises, no serious co-op education for employees ever took place, a violation of the "Constant Education Principle". In 1968 the Education Director, who had served for 18 years, was sacked following a riotous membership meeting. He received a so-called "golden parachute", one year's paid leave. He was succeeded by a string of education directors, most of whom did not last very long.

### Two 25-Year Spans

From 1937 to 1962 the CCB operated well, all indicators rising. Those were the golden years. The following 25 years, 1962 to 1987, were the years of decline. 1962, with the acquisition of a larger food chain (its debts included), originally drove all indicators way up. They were not to stay up. Starting in the early 1970s, with the purchase of yet another chain of food markets, the CCB had to throw out ballast, like balloonists trying to regain altitude.

Education assistants, home economists, child care supervisors, a petrol station, a repair garage, a hardware store and finally the grocery stores themselves were eliminated. The closing of each store forced the CCB, in accordance with the union contract, to relocate the most senior, most highly paid employees to the remaining stores, a big drain on operating costs.

In the changing America of the 60s, 70s and 80s, dishonoured cheques became more common. With a tradition of paying for groceries by cheque, losses ran into many thousands of dollars each year. Yet, despite alarm signals by concerned members, little was done. A proposal to reserve one check-out stand for "cash only" was half-heartedly attempted and it predictably failed.

### Conclusion

Successful co-ops are those for which the need is clearly perceived, such as housing, credit, agriculture or production. The need is much less clear in a consumer co-op and, as services in Berkeley decreased, the perception grew that the co-op was no different from competing supermarkets, which were larger and could offer better prices owing to a greater volume of sales and lower labour costs. Yet, over the years, the CCB had set some standards which other supermarkets adopted.

The CCB had one asset left, namely membership loyalty. It took 25 years to kill even that asset. When, in 1988, the CCB offered to sell the last remaining stores to repay its \$6 million debts, a vote was held, as required by law. Over 90,000 ballots were mailed out, only 8,000 were returned. When membership input was finally sought, under pressure, membership loyalty had worn thin.

If a lesson can be drawn from this tragedy, it points to the need to abide by the Co-op Principles. Breaking them is like breaking the 10 Commandments. You pay for it in the long run.

# Finland's "Neutral" Consumer Co-ops are Back in the Black

by Dr. E. Hasselmann\*



*Finland's Eka Co-ops supply consumers with a large selection of fresh fruit and vegetables.*

Finland's largest consumer co-operative movement, which calls itself "neutral", thus setting itself apart from the "progressive" Eka co-operative organization which is close to the Worker's Movement, ran into difficulties during the first half of the 1980s and suffered heavy losses for several years. This led to a restructuring in the mid-1980s, the primary aim of which was to set up efficient regional co-operatives.

\*Dr. Erwin Hasselmann was member of the Board of Directors of the German Consumer Co-operative Union until his retirement in 1967. From 1934 - 1948 he was employed by the ICA in London as journalist and editor. He writes regularly on co-operative issues.

This regionalization was designed to rationalize, as it were, the decade-long trend towards amalgamation of co-operatives, and bring it to an orderly, logical end. This goal has not yet been reached. It is clear that many small, efficient co-operatives do not favour merging into larger co-operatives which may be even more efficient. In any event, in 1987, a good year from an economic point of view, the number of consumer co-operatives affiliated to SOK (Suomen Osuuskauppojen Keskuskunta) fell by only 2 to 79, i.e. less than the average decrease during the first half of the 1980s, a period when the number of SOK consumer co-

operatives dropped from 202 to 82. Out of the 79 consumer co-operatives affiliated to SOK as at 1 January 1988, 31 were regional co-operatives.

### **Improved Earnings Situation**

Of course, the planned regionalization was not the main goal of the SOK consumer co-operatives. Rather, the primary objective - as with all far-reaching reforms of consumer co-operative companies and company groups - was increasing competitive ability and thereby improving profitability. The SOK co-operative group came a good deal nearer this goal in 1987.

The earnings situation of SOK and its affiliated consumer co-operatives already showed considerable improvement back in 1986. In 1987, the SOK Group managed to move out of the red and record a modest profit. As the 1987 SOK annual report puts it, "the favourable trend for SOK and the S-Group as a whole, which began back in 1986, became more pronounced in 1987. SOK and its subsidiary companies and the S-Group as a whole once again recorded a net profit, after many years of losses." (For some years now the SOK co-operatives have called themselves "S-co-operatives", no doubt because the initial letter "S" stands for Suomen, or Finnish).

The SOK annual report contains insufficient precise data on the earning trends of the S-co-operatives. The pre-deduction "financial earnings" of the entire S-Group, that is, cash flow, skyrocketed from FMK 170 million to FMK 440 million. The S-Group as a whole made a profit of FMK 110 million, after deduc-

tions. SOK and its subsidiary companies only accounted for FMK 6 million, which means that as far as earnings are concerned, the consumer co-operatives fared much better than their head organization. The main reason is that, owing to the restructuring of its production sector, the SOK had to record unusually large write-offs.

In addition, there has been one development of great interest in this sector. After the restructuring of the majority of grocery shops, these shops and the SOK textile goods factory founded a company which is jointly owned by SOK and the Eka-Group. In this instance, the two consumer co-operative groups, which seem to have phased out much of their ideologically and politically conditioned opposition, are working closely together. Granted, they still remain separate in the wholesale and retail sector, after more than 70 years apart.

As of 31 December 1987, SOK's balance sheet came to FMK 4.03 billion as against a total of FMK 3.68 billion at the end of the previous year. The biggest increase was in short-term liabilities on the debit side and in financial assets on the credit side. The consolidated balance sheet for SOK and its subsidiaries swelled from FMK 4.12 billion to FMK 4.58 billion.

The SOK subsidiary companies are primarily active in the retail trade sector, where they operate warehouses ("city sokos"), household goods stores and textile stores, as well as grocery shops. They are also quite well represented in the accommodation industry.

### Turnover trends

The SOK subsidiaries and the SOK chain stores represented 20% of total retail turnover for the SOK-Group, while the S-consumer co-operatives accounted for 80%. In 1987, SOK and its subsidiaries increased their share of SOK-Group retail turnover. In terms of value, the retail turnover of the SOK chains and SOK subsidiaries increased considerably, from FMK 3.08 billion to FMK 3.58 billion. Granted, the sole result of this increase was that overall retail turnover for the S-Group remained stable at FMK 18.15 billion (as against FMK 18.16 billion for the previous year). This rise further offset the turnover drop posted by the consumer co-operatives (from FMK 15.09 billion to FMK 14.57 billion). A 3.7% rise in consumer prices led to a roughly equivalent reduction in the S-Group's turnover volume. One reason is the predominantly rural nature of the S-Group and the fact that 1987 was a bad crop year for farming (agricultural production was down by nearly one-fifth). Another reason for the turnover drop was the high number of shop closures, a consequence of a thorough rationalization of the S-co-operatives' operating network.

### The Operating Network

This operating network is characterized by astonishing diversity. This is partly due to the rural/farming nature of the majority of S-co-operatives, but also to the fact that this nature is undergoing change owing to the fact that the SOK chains and subsidiaries, e.g. the "city-sokos" warehouses, have successfully penetrated the cities, especially Helsinki, and to the growing urbanization of the S-co-operatives as a consequence of re-

gionalization. In 1987, good progress was made once again towards rationalizing the operating network, which leads among other things to the weeding out of unprofitable or low-earning store units. In 1987, the total number of operating units, a figure which also includes hotels, service stations and production facilities with retail sales outlets, fell by 138 to 1,748.

In all, the SOK statistics covering retail trade units show no less than 18 different kinds of shops and other retail trade units, some of which are operated by SOK or its subsidiaries but the majority of which are run by the consumer co-operatives or - in the case of a few co-operatives - by their subsidiaries. Numerically speaking, the largest group is "neighbourhood stores", whose share of turnover is steadily increasing. As of the beginning of 1988, this group still comprised 544 grocery and general stores (103 less than at the beginning of 1987), 128 grocery shops (- 21), 50 mobile stores (- 13) and 8 kiosks (- 1), i.e. a total of 740 service outlets or small self-service outlets as against 878 in the beginning of 1987. In addition to these traditional shops, there are 314 modern markets, an increase of 45 over the previous year. The trend for warehouses is similar. Thirteen of the 44 older "sokos" warehouses were shut down. On the other hand, the number of modern "city sokos"-warehouses and the "sokos" and "prisma" hypermarkets increased by 2 to 44 (25 warehouses and 19 large-capacity markets). The trend is a negative one for the large number of shops which sell farming machinery and tools as well as household goods and apparatus. They recorded a drop from 189 to 158 in 1987, while the number of "specialty stores" was up 8 to 38.



*Hotel Iloes, Tampere Finland, one of the hotels run by the Eka Co-op Group*

The category of "other stores and businesses", which includes 15 automobile dealers and 98 service stations, was also affected by closures, as the total decreased by 2 to 148.

The restaurant and cafe group maintained its position of 224 units, while the hotel and motel category had one new opening, which gave a total of 51. All the above gives an extremely varied picture, or, to be more precise, a constantly changing kaleidoscope.

The trend for the SOK's wholesale trade business reflects the trend for the retail trade business handled by the S-co-operatives. Although total SOK turnover fell by 1% to FMK 11.01 billion, this was primarily due to the drop in deliveries to co-operatives, the volume of which de-

clined 2.4% to FMK 7.55 billion. This was offset by the good results of the SOK subsidiaries in the retail trade sector, so that the figure for total turnover for the SOK concern, i.e. FMK 12.14 billion, still increased by 1.3%. Production of its own brand has never been very important to SOK. Since 1984, own brand production turnover has been falling steadily, from FMK 1.25 billion to FMK 1.07 billion. In 1987, it declined by 3.6%.

### **Members and Employees**

As a result of the closure of many co-operatives, access to co-operative stores became more difficult or impossible for many co-operative members. It is, therefore, not surprising that membership declined. The S-co-operatives have lost over 70,000 members since 1980. During this seven-year period, membership fell



from 682,651 to 610,638. In 1987, there was an outflow of 5,624 members. Owing to rationalization, the number of S-co-operative employees fell by a relatively larger amount, and stood at 19,198 at the end of 1987, i.e. 8.5% less than at the end of 1986. In 1983, the S-co-operatives still employed 26,122 persons.

The number of SOK employees also dropped by 10.4% in 1987, from 7,536 to 6,752. However, this fall was more than offset by new facilities opened by subsidiary companies, so that the number of persons employed by the SOK concern as a whole even increased by 4% to reach 10,364. The S-Group employed 29,562 persons at the end of 1987, as against 30,957 employees at the end of 1986.

#### **Future Problems**

In 1987, the S-co-operatives were not able to hold on to their share of total Finnish retail trade, which was estimated at somewhat more than 15% (no exact figures are available). Competition has become keener, and will become even more fierce in the future. The Finnish retail trade, together with the Finnish consumer co-operatives, expect that "there will shortly be the challenge of the internationalization of trade", i.e. even stiffer

competition. The consumer co-operatives are preparing for this change. They are placing great stress on rationalization, a policy which means above all bigger investments. In 1987, investment by the S-Group reached a record high of almost FMK 800 million, and in 1988 this figure increased even further. For example, the large new "operating centre", the SOK in Helsinki, is under construction and is scheduled for completion in 1991. We have no knowledge of whether the S-Group, in view of the growing future difficulties and the new problems stemming from the coming integrated European market, is envisaging closer co-operation with the other branch of the consumer co-operative industry, namely EKA, and perhaps the Helsinki-based consumer co-operative Elanto. In view of the fact that such co-operation began in 1987 in the production field, one could perhaps envisage a broadening of the base for co-operation, even though the unity of the Finnish consumer co-operative movement in relation to the centralized restructuring of Eka along the lines of a concern (since 25 November 1987 Eka has called itself "Co-operative Eka Concern") may remain utopian for a long time to come.



*Above: Democracy in Action: Voting by show of hands at a members' meeting, and below: The Yol-Koop's consumer store in Diyarbakir*



# Consumer Co-operatives and their Problems in Turkey

by Alican Kavas & Yavuz Odabasi\*

## Introduction

Consumer co-operatives are unique and increasingly important marketing organizations in both developed and developing countries. They form a large and growing sector of the economies of industrialized Western nations, accounting for over 15 per cent of total retail outlets. They also play a very important role in representing consumer interests.

Developing economies have special marketing needs and distribution problems. Efficient, modern distribution systems are lacking in most of the developing countries. There are several factors which inhibit the widespread acceptance of a modern Consumer Co-operative Movement in these countries. They can be divided into (1) consumer characteristics (i.e., lack of consumer awareness, low literacy rates, and poor consumer protection), (2) environmental characteristics

(i.e. stage of economic development, degree of urbanization, and poor management practices).

However, it seems that the role of consumer co-operatives in the macro-marketing system of the developing countries could be very significant; especially in solving distribution and consumer related problems.

In this article we intend: (1) to briefly review the current situation of the Turkish Consumer Co-operatives, and (2) to report some results of an empirical research designed to assess the problems of these co-operatives. Unfortunately, there is little research in this field in Turkey.

## The Turkish Consumer Co-operative Movement

The first consumer co-operative was established in 1913 in Istanbul; 68 years after the first co-operative was formed in England.<sup>1</sup> This first attempt was a failure. After two unsuccessful attempts, "The Co-operative of Government Employees" was established by government officials in 1925, on a voluntary basis, to protect its members against inflation.

There are presently 4,307 registered consumer co-operatives and 1.65 million co-

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operative members in Turkey.<sup>2</sup> According to official estimates, 40 per cent of registered co-operatives are not currently operating. Thus, it may be assumed that there are approximately 2,500 active consumer co-operatives.

Broadly speaking, we can identify the following shortfalls in the Turkish Consumer Co-operative Movement:

(1) The majority of existing consumer co-operatives are established on the basis of a "closed-door" system. In other words, they are owned and operated by the officials of State-owned enterprises, and other government employees. In contrast to the Western European Co-operative Movement, the Turkish Co-operative Movement was initiated by the government rather than the workers, which may be due to Turkey's being a less industrialized nation at that time. This has inhibited the rapid expansion and acceptance of consumer co-operatives in Turkey. However, there are also co-operatives run by consumer societies and the workers' union. In particular, those established by unions are the most efficient and successful.

(2) Most co-operatives are similar to the small-scale grocery shops dominant in Turkey's retail system, and they provide very limited services to their member-patrons.

(3) The Turkish Consumer Co-operative Movement lacks vertical and horizontal integration at all levels.

### **Research design**

The data for the study was obtained from a self-administered questionnaire. Re-

spondents were requested to complete a four-page questionnaire, which was tested and refined before being distributed. It examined the perceived importance of co-operative activities and problems by the managers of these co-operatives.

One hundred and seven co-operative managers from different cities within Turkey were approached. At the end of the data collection period, 104 usable questionnaires were obtained.

Eighty managers were contacted by student interviewers, who had been awarded scholarships by the Confederation of Turkish Trade Unions, and who had been trained in interviewing techniques.

Because of time, distance and funding constraints, a postal survey was preferred to personal interviewing for the remaining 24 managers.

### **Findings**

As stated, the sample consisted of 104 co-operatives. Forty-eight per cent of the questionnaires were completed by co-operative Presidents, 12 per cent by members of the board of directors, 25 per cent by accountants, 8 per cent by the co-operatives' secretaries and 18 per cent by members with other titles. Table 1, on the following page sets out a general profile of consumer co-operatives in Turkey:

**Table 1: General profile of consumer co-operatives in Turkey**

Size of Store (m <sup>2</sup> )	Percentage
Less than 100	32.1
101-200	23.0
201-300	13.5
More than 301	20.2
No answer	10.6
Number of Members	
Less than 500	42.3
501-1,000	10.6
1,001-2,000	20.2
2,001-3,000	6.7
More than 3,001	1.9
No answer	18.3
Selling Style	
Self-service	34.6
Service by shop assistants	49.0
Both methods	11.5
No answer	4.8

It can be seen that 32 per cent of the co-operatives have a store area of less than 100 m<sup>2</sup>, 42 per cent have less than 500 members, and only 35 per cent operate on a self-service basis.

Generally speaking, consumer co-operatives are formed to provide economic, social and cultural services to their members. In this survey, 98 per cent of the co-operatives were found to be concerned mainly with the provision of basic consumer goods to members (i.e., food and grocery items). Only 40 per cent offered durable goods to their customers. An-

other important fact about the Turkish Consumer Co-operatives is that sales are on a credit basis at 93 per cent of the co-operatives surveyed. Furthermore, there is little provision of social and cultural services, (i.e., public training, summer camps, recreation facilities, children's playgrounds, etc.). In fact, 70 per cent of the co-operatives indicated that they did not offer any social or cultural services at all.

In recent years the number of consumer co-operatives has been increasing rapidly in Turkey. From 1967 to 1983 there

was a 1,106 per cent increase in the number of consumer co-operatives. In contrast, there was a 48 per cent decrease in the number of co-operatives in Japan over the same period. In spite of their numbers, consumer co-operatives have not been effective within the micro or

macro marketing systems of Turkey. In this study, the problems of co-operatives as seen by their managers were obtained and presented. The importance of these problems as perceived by the managers is shown in Table 2 below.

**Table 2: Most important problems as perceived by co-operative managers**

Perceived Problems <sup>1</sup>	Percentage of respondents
Insufficient financial resources	49
Limited store area	17
Weak bargaining power	10
High credit-sales ratio	9
Lack of storage	8
Shortage of educated personnel and management	7

<sup>1</sup> Of the 20 problems listed, these were ranked as the most important.

As indicated in Table 2, 49 per cent of respondents reported lack of financial resources as the most important problem in their own co-operatives. Co-operatives require sufficient capital and credit to compete with other businesses. In general, consumer co-operatives have relied on their members to provide much of the finance needed; but insufficient finance and volume of business account for many failures in the Turkish Consumer Co-operative Movement. There is

also a tendency toward growth in size (i.e., physical facilities and equipment) in order to take advantage of modern management and technology, and to compete effectively in the market place. Doing this requires adequate finance on reasonable terms. As can be seen from Table 2, 17 per cent of the respondents saw limited store area as their most important problem. It is also known that successful co-operatives need as high a level of managerial ability as other businesses;

but high quality demands a high price. The financial weaknesses of co-operatives acts as a barrier to the hiring of professional managers.

Respondents were also asked to indicate their opinions about the reasons behind the failure of the Turkish Consumer Co-operative Movement (Table 3 below).

**Table 3: Reasons why the Turkish Consumer Co-operative Movement is not successful**

Reasons <sup>1</sup>	Percentage of respondents
Lack of capital	29
Unwillingness of members to participate in co-operative affairs	23
Lack of knowledge about co-operatives, and negative attitudes toward co-operatives	15
Poor co-operative image	14
Difficulty in securing credit	4
Lack of co-ordination between co-operatives	6
Lack of public education about co-operatives	3
Difficulty in securing good management	3
Absence of Co-operative Banks	3

<sup>1</sup> Of 15 reasons listed, these were ranked as the most important ones by the 104 co-operative managers.

Securing sufficient capital is a major problem for even the modern consumer co-operatives. The current practice of raising capital internally from members is not likely to be adequate. In fact, 29 per cent of the respondents indicated that insufficient capital is the main reason for the Turkish co-operative movement's lack of success. It also seems that only a very small minority of the member-owners take an active interest in the

problems and management of their co-operatives. Successful co-operatives must rank an informed and participating membership high on their list of priorities. Another important problem is that the general public is not favourably disposed toward co-operation. In other words, a poor public image acts as a barrier to the efficient development of co-operatives.

### Conclusions

Consumer co-operatives provide an alternative to private marketing channels. To date, Turkish Consumer Co-operatives have not been as successful as other institutions in the marketing system of Turkey. They face challenges in the areas of finance, management, member relations, physical facilities and public rela-

tions. To overcome these problems, all parties (i.e., consumers, co-operatives and the government) should support the expansion and improvement of consumer co-operatives. Obviously, all the problems of the co-operatives can not be addressed simultaneously. Strategies have to be designed taking into account the conditions within Turkey.

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# Co-operative Solidarity in Turkey

by Dr. Claus Jurgen Hachmann\*

Batikent is situated on the road from Ankara to Istanbul. The transportation facilities to Ankara are excellent, with a regular bus-service available.

The social services of the co-operatives are excellent, too. The participation of members is promoted through social activities of all kinds. For the children there are care centres and schools. Kent-Koop is even publishing a children's newspaper, which is designed by the children themselves. Libraries and rooms to read books offer opportunities for the children, to spend their leisure time learning and improving their minds. Sports clubs and cultural activities are available including courses in foreign languages and the arts.

Satellite programmes can be received, as the technical installation has been made and all co-op members can benefit from these services for a moderate fee. Resources are also dedicated to training courses and facilities for the women in the settlement, who are now well quali-

fied, self-confident and engaged. The women are now not only interested in sewing, but also in designing. Many are also employed in workshops for the production of ceramics or are managing schools and child care centres.

Of course, there are also many programmes for whole families. Family planning and health care given priority treatment in the co-operative. Concerts and folkloric events are offered during the summer and several excursions have been organized.



*This statue which graces the co-operative housing project in Batikent is called "Solidarity".*

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Also prizes have been won. The Batikent volleyball team win second prize in the national competition, which made members proud to be a co-operative member. The international reputation of Batikent is famous and there are many reasons for this. In 1987 Batikent won the World Habitat Award which was presented by Prince Charles of Great Britain. This prize was an honour for all the co-operative members; Batikent has more than 30,000 inhabitants, all members of the co-operative. Batikent and Kent-Koop caused an enormous upswing for the housing co-operatives in Turkey, where a national confederation has been formed. They contribute to the difficult task of housing people and offering them a good life.

### Co-operator elected major

The recent communal elections in Turkey were also a great success for the Co-operative Movement as Mr. Murat Karayalçin, President of Kent-Koop, was elected mayor of Ankara. This election is a victory for all housing co-operatives in Turkey. It is a political break-through for the development and strengthening of co-operatives in general.

The ICA Housing Committee, which had its executive meeting in Istanbul, hosted by the Turkish housing co-operatives, congratulates Mr. Karayalçin for his excellent victory.



*Satellite television provides a contact with European media*

# Xin Lu Poultry Productive Co-operative

by Jonathan Fon\*



The Xin Lu Poultry Productive Co-operative, located in the rural area of Jia Ding under the municipal administration of Shanghai, is a new style co-operative, voluntarily organized by the local peasantry.

## Formation and development

Lu Rong-gen, an expert poultry raiser, is one of the main founders. Following his proposal to several large poultry producing households, in April, 1984, a chicken-raising co-operative, the first one in the Shanghai area, was established:

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Xin Lu Poultry Productive Co-operative. Whereas individuals could not cope with lack of capital, difficulties in obtaining chicks or feed and inadequate prevention and treatment of fowl pest, the co-operative is able to overcome such problems. In its initial stage the co-operative had a membership of 31 households. At present there are 67 member households, with 52 staff, 28 of whom are co-operative members. The co-operative has recently acquired a hatchery, which raises more than 100 thousand chicks per month in 16 incubators, and a feed-processing workshop, able to produce over 15 million jin (500g) of concentrated chicken feed, and a disease control centre pro-

viding treatment and preventive medicine. There are three other buildings under construction, i.e. a granulated feed mill with its annual production of 5,000 tons, a poultry rearing farm (to be run in conjunction with the municipal agro-research institute), and an extension to the hatchery producing 200,000 chicks per month.

The co-operative has capital assets worth RMB 400,000 yuan, 20 times its initial capital. It has a long-standing horizontal business association with a chicken-feed supplier in He-nan Province and a fish meal processing plant in Zhe-jiang Province. The economic success of the Xin Lu is a result of a strict system of responsibilities, expert management, and insistence on the accountability of each working group. The net household income from poultry-raising was 2,800 yuan from May to December in 1984; this rose to 7,900 yuan in 1985 and 6,700 yuan in 1986. Figures of 10,000 yuan or more are expected for the household income in 1987. In fact, the total income per household has already exceeded ten thousand yuan, in addition to their other earnings. The average wage for a staff member was 636 yuan for the period from May to December in 1984; by 1986, it was 2,117 yuan per annum. From May to December, 1984, the co-operative made a profit of 4,000 yuan. In 1985, it was 97,000 yuan; and in 1986, 233,000 yuan.

The performance of this co-operative compares favourably with a long-established collective farm nearby, the (poultry-producing) farm run by the local authorities. In 1986, it suffered a loss of 28 thousand yuan on 16 thousand chickens, whereas the Xin-Lu Co-operative

made a profit of 11 thousand yuan in the production of 130 thousand chicks.

The Xin Lu works as a service co-operative. Besides the 67 member households, it has benefited a wide range of individual poultry-raising households and collective farms within Shanghai and at regional or national level. In 1986, its hatchery produced 1,050 thousand quality chicks, 11% of which went to its members. The other 89%, together with a large number of fertilized eggs, were distributed outside the co-operative among the provinces of Guang-dong, Guang-si, Yun-nan, Guai-zhou, He-nan, He-bei, Jiang-su, Zhe-jiang, An-hui, Fujian, and Hei-long-jiang.

The Xin Lu has made progress in the organization and operation of co-operatives. Mr. Lu Rong-gen, the director, has said that its success is due to three factors: strategy, research and science, and hard work.

### **Characteristics of the co-op**

Xin Lu Poultry Co-operative is a successful business because it operates as a co-operative rather than a rural business. It is:

#### **1) A Voluntary Organization owned by its Members**

The Xin Lu is organized by the rural chicken farmers, and grows according to their efforts. It is a voluntary organization which has no official interference. The most serious problem facing individual producers is the inadequate prevention and treatment of disease and infection. The proverb says, "Pigs die individually, chicks die by the flock".

Individual producers attempt to combat the problem, but in vain. Furthermore, recent years have seen fierce competition within the industry, and fluctuation in the cost of feed and the selling price of poultry. Individuals cannot cope with such challenges, therefore, they have formed the co-operative. Mr. Lu, an expert poultry-producer is always ready to help others and it was at his suggestion that the Xin Lu was founded. Individual farming households willingly joined to further the development of the rural commodity economy. This is typical of the new joint economic situation within China.

Funds were raised by the member households, each of which had to purchase one share. Originally a share cost 300 yuan, then the price rose to 1,000 yuan. Mr. Lu bought three shares and also converted his hatchery into shares.

### **2) A service co-operative with two-tier organization**

The Xin Lu has an unusual form of organization, i.e. two-tier system. At one level it is a service body composed of management, i.e. the board of directors, the executive committee, and the service departments, i.e. the hatchery, the feed processing factory and the veterinary centre. The other is the membership of 67 households and individuals. Each member/household is autonomous, produces its own chicken feed, and takes responsibility for its profits and losses. However, the co-operative serves its members in many ways:

a) **Supply of livestock** - the hatchery supplies chicks of various qualities to members.

b) **Feed supply** - the feed processing workshop produces different feed compounds to suit the varying needs of chickens as they grow. Feed is sold to the member/households at 2 yuan below the market price per 100 jin.

c) **Prevention and treatment of chicken disease** - the veterinary centre's medical workers inspect members' flocks free of charge and distribute medicine at a price 10% below market value.

d) **Sales** - the co-operative acts as a wholesaler, purchasing fertilized eggs, and 30% of chickens to be sold as meat, from the member/households.

e) **Co-operative finance** - the member/households sell all their fertilized eggs to the co-operative for hatching. 0.5% of the sale proceeds are retained as an emergency fund: in 1986, 11.5 thousand yuan were raised in this way. The hatchery makes 0.2 yuan profit per chick: in 1986, the total profit was 170 thousand yuan. The feed processing workshop is also supported by the member/households.

Member/households pay into the fund and also benefit from it so that they, the member/households and the co-operative are mutually dependent.

### **3) Good management and strict management policy**

The co-operative leaders are experts in the various fields concerned. Mr. Lu, the director, is very experienced in the prevention and treatment of chicken diseases and parasites and in the nutrition of poultry. He is also a wise manager and an efficient administrator.

The operation of the Xin Lu is strictly controlled. The hatchery must meet stringent targets - 85% for the hatching of fertilized eggs and the survival of chickens hatched.

The members are required to observe the rules and regulations rigorously. The membership of two households were cancelled because of the private sale of fertilized eggs. Gambling is also prohibited: a first offender will be fined 10 yuan, a second offence costs 10% of his annual wages, and a third offence leads to expulsion from the co-operative.

**4) Autonomous and able to respond to market conditions.**

The Xin Lu is not controlled by the rural administration. It can organize its labour efficiently and raise capital through bank loans, borrowing from local peasants and the sale of shares. In the first half of 1987, it borrowed around 75 thousand yuan from the peasants. Production is geared to market demand.

**5) Pay distributed according to production and dividends according to shareholding**

The income of the member/households and staff members is as follows: a) in 1986 the average income from production was 6,700 yuan household, b) the annual staff wages in 1986 were 2,117 yuan per capita, c) the dividend was 15% per share. The principle of pay according to work and dividend according to share-

holding is a characteristic of the Xin Lu. The Xin Lu preserves capital share with dividend distribution which represents an important feature of the Chinese rural co-operation. It is necessary and reasonable that dividend distribution should exist in the Chinese co-operative economy.

In addition, the Xin Lu can exercise reasonable discretion in the division of its net total income, e.g. 15% for employee welfare funds, 10% for public welfare fund, 15% for investment and research funds, and 60% for expansion.

The Xin Lu Poultry Productive Co-operative helps members with difficulties in poultry-feeding and assists the development of the rural commodity economy, -- i.e. it acts in accordance with the principles of co-operative economy.

The Xin Lu provides a service for the whole of the rural poultry-producing industry. Such a co-operative is able to lead the rural home economy into the socialist economy and promote the rural commodity economy.

Such a co-operative could also be organized for arable farmers; in planting, the supply of seeds, servicing farm machines, the provision of pesticides, and marketing. In the huge country of China, with the peasant home economy as its foundation, this co-operative and others may have great expectations.

# New Lease of Life for Supply & Consumer Co-ops in Hanchung

by Wang Chian\*

During recent economic reforms, the Hanchung supply and consumer co-operatives of Shanxi Province, China, made the revitalization of grass-root co-operatives one of their main priorities. Their aim was to increase the efficiency of the businesses and to make those which had suffered serious losses profitable. The statistics demonstrate their success: in 1988 the grass-root co-operatives were responsible for more than 40 per cent of the total profit for all supply and consumer co-operatives within the area. The following measures were implemented to achieve this:

## **A two-tier system**

By adapting their system of purchasing and selling to suit market conditions, i.e., buying raw materials from agricultural households and selling finished products to them; supplying raw materials to industrial producers and purchasing the finished goods, it was possible to eliminate many of the intermediate stages involved. This was convenient for the farmers and increased profitability.

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## **Encouraging farmers to buy shares and draw dividends**

Some grass-root supply and consumer co-operatives sold shares to their members in order to increase their liquidity. Because dividends were paid twice yearly, the farmers were willing to put their surplus funds into the co-operatives. In 1988 alone, the share-capital of co-operative members was more than 420,000 yuan (RMB), 88.7 per cent of the grass-root co-operatives' liquidity.

## **Combining agriculture with business**

Upon the principles of reciprocity and mutual benefit, the supply and consumer co-operatives of the Hanchung area founded 88 specialist co-operatives in producing and processing trades such as tea, black mushrooms, peppercorn, walnuts, varnish, the production of mulberry leaves for silkworms and the fabrication of articles from woven straw. As regards management, the specialist co-operatives supervised production, sales and settlement for each agricultural household, and the supply and consumer co-operatives were responsible for general services; so the production, supply and sale of agricultural and secondary products were integrated.

### **Establishing a multi-purpose management and service system**

The grass-root supply and consumer co-operatives strengthened the management links between specialist co-operatives and important households; providing them with information, technology, capital, materials etc. They also set up many permanent liaison offices, issuing information 15 times a year to help farmers develop agricultural and secondary products efficiently.

The co-operatives signed three-year contracts (offering good terms but also containing penalty clauses) with town-governments and co-managers, for the

production and purchase of agricultural and secondary products. This ensured that deadlines were complied with.

The profitability of the revitalized organizations increased remarkably. Between January and November, the total purchase of agricultural and associated products was 84 million yuan (RMB), an increase of 21.7 per cent over the same period in 1987; sales of commodities reached 380 million yuan (RMB); and the farmers' income increased by 69 million yuan (RMB): a new high in the history of the grass-root supply and consumer co-operatives.



# Influence, not Power Women Working Co-operatively

by Jan DeGrass\*



## 1988 Co-operative Business Article Award

### *Award Winning Article*

\*Jan DeGrass, a freelance writer and editor, is currently compiling the history of her credit union, the Gulf and Fraser Fishermen's Credit Union. This article won the 5th Co-operative Business Article Award in 1988. The Co-operative Business Article Competition is jointly sponsored by Touche Ross and Company and the Canadian Co-operative Association.

When the voters of Iceland went to the polls in 1987, they doubled their support for the Women's Alliance, a young political party dedicated to the needs of women and children.<sup>1</sup> This was unusual enough to grab world headlines - an all-women party now occupying six of sixty-three seats in history's oldest parliament! Following the election, two of its longest-serving members announced their resolve to carry through on party policy: they would step down half way through their term in favour of other waiting candidates on their all-women electoral list, a power-sharing philosophy that has made feminist groups everywhere dizzy with visions.

This is a party in which crucial issues are always referred to grass roots membership for discussion. The Women's Alliance admits that the democratic decision-making process is slow. Yet it achieves results. A year later the party has pulled sound decisions out of the fire of debate - decisions that have caused a watching electorate to rate them higher than ever in the popularity polls.

"We aren't prepared to go into government without making an impact and achieving something," says the Women's Alliance manifesto. "It's influence, not power, that we are striving for."<sup>2</sup>

This abnegation of power is not an empty or politically facile gesture; it focuses the party on its true mission - to use its influence in government to create change.

It speaks of a different set of values, one which embodies the party's position on its key issues: peace, a future for their children, equality for women in their work and at home. It rings the same bells for women working on the same issues across Canada and around the world. However, for most women their medium is not the political party; it is the co-operative.

### **What do women want?**

"What do the ladies want?" asked a British newspaper in 1912 when early suffragists chained themselves to the palace gates. "What do women want?" asked the American tabloids somewhat more belligerently in the early 1970s, when the women's liberation movement found a collective voice of protest.

Possibly women then, as now, have always strived for the same simple ideals: a safe world to live in, equality for women in their work, and at home... Influence, not power for its own sake - the influence to make changes in these areas. For many women, to seek authority in the traditional power structures of politics or business is intimidating or soul-destroying. Scrabbling to the top, women often succumb to the "work twice as hard to prove herself" syndrome. Even reaching the top does not guarantee entry into the corporate "boy's club" culture or, once there, that attitude changes will result. Finally, for many women, plodding up the power structure is disillusioning, because ultimately it does not achieve what women really want.

There is another option. It's not a great wave; in some parts of the world it's not even a tiny ripple. But slowly, over the

past two decades, women have been opting for influence structures rather than power structures. It's something you climb into rather than climb up. Co-operatives are ideal influence structures.

### **Woman as a work horse**

I think the first time I realized how committed women were to their co-ops was in 1976. Small emerging food co-ops, like my own, met for many hours over potluck dinners sweating earnestly about issues such as the purchase of politically correct apples over the more inexpensive South African ones.

The debates served an educational function while the meetings fulfilled a social one. We amateur storekeepers were mixed men and women, with the majority women. But the women rarely chose to chair the meetings, unless encouraged, and only offered their obviously well-considered opinions if pressed. Unlike other organizations, at co-op meetings there was an emphasis on listening to everyone's point of view and "hearing from those who haven't yet spoken" however lengthy and tiresome this process proved to be.

Usually there was no question of the outcome of the "apple" debates, because the co-op was an expression of our politics as well as a means of procuring food. For women, the co-op was an expression of feminist politics; participating in it was an anti-sexist statement in the same way that shopping at the co-op was an anti-supermarket, anti-big business statement. For many women during the 70s, work in community self-help groups, such as co-ops, was entwined with our growth as feminists.<sup>3</sup>

Women had climbed into the co-operative movement with energy and a willingness to work; they had become the backbone of the co-op. The majority of the food co-op's weekday work: shelving groceries, cutting cheese, receiving deliveries, was carried out by women volunteers who sometimes brought their children along with them. Really it began to seem not very far removed from the unpaid work we did in the home.

Making an "anti" statement was clearly not enough. There was a growing consciousness that perhaps shelving groceries and sorting deliveries was not really moving us toward social change as feminists. There was an unspoken, undebated desire to take things a step further: to use the co-operative medium to become our own bosses and take control of our work.

Worker co-operatives were to provide that necessary further step. With their popularity in the last fifteen years comes a structure that promotes equality for women workers in a workplace that allows improved working conditions and job security.<sup>4</sup>

### **Co-op principles rule**

There are two good reasons why women are attracted to the co-operative model of work. It's no surprise that those reasons are also two of the most fundamental principles of co-operation: open membership and democratic control.

Participation in co-ops is by members only and membership is open to all.

There is a stratum of our wealthy North American society who have never in their lives made any form of substantial financial investment. Too often they are women.

"You gotta have money in order to make money" says the businessman's axiom. Women don't have that money. Traditionally they own only a fragment of the world's wealth. In the U.S.A., they earn 57 cents to a man's every dollar; in Japan: 43 cents.<sup>5</sup> In Canada, in 1985, women earned 55 cents for every dollar.<sup>6</sup> That is, if they entered the paid work force at all.

Lack of capital has excluded women from an economic privilege that buys stocks and bonds or invests in art; it even hits them on a more pragmatic level. Who can afford a retirement home when they're still balancing a food budget? Historically some of Canada's most enduring co-operatives have come out of financial adversity. Like the fishermen on the banks of the Fraser during the Dirty Thirties, women as a segment of the economic population are ripe for co-operative ownership ventures. The fishermen discovered that, in order to become invulnerable to the price dictates of the company canneries, they had to pool their meager financial resources and operate their own fish wholesaling co-op.<sup>7</sup> They had to compete.

Co-operatives in Canada operate inside a system based on competition. Ideally, co-operatives are islands of economic co-operation, if you like, in a sea of capitalist competition. Within this capitalist economy the concept of ownership is a very powerful one.<sup>8</sup> When you own a part of a co-op, you own a piece of the economy.

For twenty years of my adult life I was one of the sixty-one per cent of women in B.C. who did not own either of the two largest investments adults make: a house and a car.<sup>9</sup> In most of my adult life, co-

ops were the only thing I ever owned - co-ops and the clothes on my back.

Whether it's your home, as in a housing co-op, your food supply from your consumer co-op, or your employment that is owned co-operatively, ownership is empowering.

To those who hold the minor share of the world's power, comes a new discovery: as long as you own something you can change it. In fact in this society, political parties notwithstanding, it seems that the only way you can make changes is to own - on however micro a scale.

Women have noticed. And small co-ops are exactly what have emerged. In small co-ops from Halifax to the Okanagan<sup>10</sup>, primarily worker co-ops, member/owners are finding the co-op clay very malleable and are pushing and shaping it into structures that allow the maximum influence on the workplace.

The kind of workplace changes that women make after ownership are possible because of fundamental co-operative principle number two.

Decision-making, or control, is democratic. One member has one vote - regardless of size of share, involvement or position.

Democratic decision-making allows - actively encourages - a say in how a workplace is managed. Feminist businesses are attracted to this co-op model of management. It is non-hierarchical; it does not oppress.

Hierarchical management structures haven't given women an easy time. Management positions are still dominated by men. Women not actually passed over for promotion take many more years

than their male counterparts to reach their career goal, often doing double time at the office and at home. This is not because of lack of ability.

### **Women as entrepreneurs**

Not all women entered worker co-operatives. Many chose another route by starting their own small businesses. There, plagued by lack of financial resources, lack of training, and overt sexism, they nonetheless started more new small businesses than men by a ratio of three to one and were more successful than men at a ratio of five to one.<sup>11</sup>

These statistics illustrate two things: firstly, we are in a decade that is feeling the profound impact of the women's movement on the business community.<sup>12</sup> Secondly, a 1982 Queens University study showed that Canadian women owner/managers ranked "being one's own boss" as the second most significant factor for business start-up.<sup>13</sup> In this, women business owners, though they have chosen private sector ownership, are not so very different from their co-operative sisters.

The study suggests, with masterful understatement, that women who start up their own businesses do so because they "are probably frustrated by the corporate environment".<sup>14</sup> Author Jerry White, who quotes the study in his article, concludes that Canadian businesswomen have become the new capitalists. Right premise, wrong conclusion.

### **Change your workplace - change your life**

Nova Scotia women laid off from a fish processing plant organized a co-opera-

tively-owned and managed used clothing store. "I was tired of depending on other people for my livelihood", says Agnes Macumber of the Umbrella Co-op. "I figured it was time to be out and doing something for myself..."<sup>15</sup> The women earn as much as they did in the fish plant but now don't work as hard for it. And if that makes it sound like a soft life, well, you've only to work in a fish plant from 7 a.m. to 11 at night, alternately freezing or cooking, to understand their joy in being able to make workplace changes by owning and controlling their own co-op.

In her thesis, "Women in Worker Cooperatives"<sup>16</sup>, Mary Gerritsma concludes that for women, control of the workplace was the most positive factor in worker co-ops. Men also saw it as important, Gerritsma says, "but the women took special advantage of the control they had to make changes which were favourable to their needs in the work place". This included "opportunities to work in one's chosen area of interest, chances to take non-traditional roles, places for children in the work place, and settings for pursuing one's political vision or simply to grow personally".

In three of the co-ops she interviewed, women found help with childcare. One all-women co-op tackled perceived problems of lack of financial security and long work hours. They began cooking and eating hot meals each day together, saving a bit of money, and giving themselves a break time for communicating with one another. They installed a washer and dryer at work. This may sound comic, but a single, simple idea that frees weekends from the burden of laundry is a truly liberating one.

Melanie Conn, in her work with developing co-ops, perceives some further changes women make in democratically-organized work places.<sup>17</sup> In addition to the flexible work hours that relieve pressure from domestic responsibilities, she cites the recognized need to eliminate reproductive health hazards in the workplace, the opportunity to take on responsibilities sooner, if wanted, than in the usual vertical structure, and the personal interaction with other women that cuts isolation and alienation in the workplace.

### **Be it ever so marginal - there's no place like Co-op**

Vancouver's Press Gang has been a women-owned and managed print shop since 1974. Enthusiasm and idealism, but not salaries, had kept the presses rolling through a lot of collective upheaval. For many years, women, mostly unpaid, sought to get the business in shape by restructuring their work days, setting up systems, upgrading equipment and seeking training in the printing industry. Its existence was always marginal.<sup>18</sup>

I walked into the Press Gang shop floor one day in 1981 to pick up some brochures. My brochures were not ready and no one was in the office. A lone woman sat awkwardly at a large ancient stapling machine. As she passed each brochure into a slot by hand, it fed staple wire through a cutting edge until the required two staples were attached. It broke down continually and the woman got up each time to re-thread it.

I quote this story of Press Gang at some length because for me, on that day, they

provided a lingering, iconic image of co-op women pursuing dignified work in the face of all odds. Instead of being inspired by this sight, I was crushed.

I became convinced that Press Gang would never make it as a viable worker-managed co-op.<sup>19</sup> Defective equipment, shoddy customer reception, and isolating, numbing tasks, would not allow them to achieve deadlines. I said as much to a wise woman, a purchaser for a women's co-operative food wholesaler in Seattle. I questioned our own involvement in co-ops and our ability as women to operate our own businesses if all we could accomplish was to eke out a marginal existence.

"But what are their goals?" she asked. "They may not become a viable worker-managed business as we define it, in terms of sales and profitability, but they may still achieve their goals." Many of Press Gang's goals were not economic: to be the community's printing press, to employ women and train them in non-traditional skills, to enjoy better working conditions.

Today Press Gang, along with new equipment and a more pleasant working environment, has developed a contract for themselves. By most labour standards it is quite progressive, especially in areas of maternity leave, sick leave and holidays. There is a structure in place for continual wage increases. Their democratic process has become more sophisticated; their service to the community is intact.

I point to Press Gang because, even now, one would not regard it as an economic success story among co-ops. In all its years of operation, the struggle to just

get by has scarcely been outstripped by the gains. But it has achieved its goals. In this it is a success.

Interviews with co-operative women in Gerritsma's research, in Constance Mungall's book, and in Conn's experience, all support the premise that the co-op model with its principles of open membership and democratic decision-making allows women the influence they need to make the changes they want. Women in co-operatives have sought, and found, a way to make humane changes in their lives, through making changes in their workplaces.

In co-op literature much attention has been paid to the "double bottom line". In order to successfully serve two masters, the co-op must balance economic viability and prestige against the social goals of its membership. In the literature the two goals are generally viewed as of equal importance, though many large, established co-ops may tip the scales in favour of economic viability without too much knuckle-rapping from the rest of the movement. Witness the quest of the credit unions to become big time players in the financial industry.

It is no surprise, then, that these co-ops have few women in decision-making or goal-setting positions. While thoroughly understanding the importance of competing in the marketplace and thereby demonstrating economic success, examples like Press Gang support my own observations of co-operatives over the last fifteen years. In their co-ops, women will throw extra weight on the side of attaining social goals to get what they really want.

Women in worker co-operatives are a valuable resource - a force that is not

recognized or validated by the business community, or, for the most part, by other co-operators. In a tired co-operative sector that cries out for more member commitment and the pursuit of social ideals, women are a true force for change.

They have shown they can create a better workplace through the medium of the co-op. They have become adept at carrying workplace transformation into their lives. They have not developed an "alternate" power structure, but are making use of an influence structure to create change. Co-operators everywhere should by now be crying: "But how can we bottle it and sell it?"

Canadian women in this decade have shown great initiative in the private ownership of small businesses. They haven't been given much support either from the bank, their male peers, or sometimes even their family. Surely the co-operative sector can do better in its support of women in co-ops.

On purpose, I have avoided suggesting that the road to authentic participation for women lies in promoting them to authority positions or in giving women education in management skills. These days women are taking opportunities like this for themselves; they don't need the handout. Changes in the male/female ratio of boards or in numbers of women in training programmes are increasing, however slowly. Tokenism is surely beneath us.

We can nurture women-owned and managed co-operatives in concrete ways: by loaning them money, by consuming their products, by validating their goals within our own co-operative community. We can do this now, before the marginal ones are out of existence, hoisted on that other "bottom line". And finally, we can transfer their aspirations for a safe world, for equality in their work and their home, to outside of the movement where the changes women want for themselves will benefit us all.

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## Interview with Jevgenia P. Vasjukhina, USSR, Vice Chairman of ICA Women's Committee

by Iain Williamson\*

*What can you tell us about your work for your own Co-operative organization?*

I have worked in the Co-operative Movement with Centrosoyus for 35 years. After graduating from the Institute of National Economic Planning I joined Centrosoyus as an economist in the Financial Department, although I had been a member of a Co-op before that - since I was 18 years old. Now I am a main board member in charge of the Financial Department. I also deal with the streamlining of the management of co-ops and new methods of economic management. In addition to this work, I have been chair person of Centrosoyus' Women's Committee on a voluntary basis for about 10 years.

Our main board consists of me and 14 men. I am not embarrassed by this fact but I am concerned. I would like to see more women on elected boards - and that goes for ICA bodies too!

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*Is it unusual in your Movement for a woman to reach such a high position?*

I am afraid that it is very unusual, as not many women reach elected bodies at this level. At local and regional levels, however, there are a lot of women, and many are managers of shops and enterprises as well. It is difficult to be sure why so few

women reach the top, but perhaps many are busy bringing up families and cannot always take on the responsibilities.

*What is your national organization doing to promote the role of women?*

Centrosoyus is doing a great deal to educate women at their establishments. We are improving this training because we know that, for a woman to take a senior position, she must win the respect of her colleagues. We have a wide system of professional training, with eight higher education establishments, 127 specialized technical schools and a lot of vocational schools. There are many women in middle management as a result of this policy, in both elected and non-elected positions. Now one of the great challenges is to increase still further the number of women on elected boards.

*Tell us about your involvement in the ICA Women's Committee.*

The main thrust of the committee is to help to achieve equality. I believe that Co-ops should provide better opportunities from a social point of view, and sadly this does not always happen. For example, I know of examples of credit unions where women are unable to join of their own free will. We also try to assist in personnel training.

There are many illiterate and poorly educated women in developing countries, so the Women's Committee tries to organize training seminars in as many places as possible. This should help ultimately to improve living standards and it will assist in strengthening peace. The

Women's Committee tries to take the lead in this area, and it is very important that we initiate more practical programmes. There has been a lot of talk and not enough deeds!

*You recently had first-hand experience of the effects of the Armenian earthquake, as a member of a fact-finding mission from Centrosoyus. Please tell us of this experience.*

Words fail me. It was the most horrible tragedy. For example, the whole of Spitak town which I visited had just ceased to exist. Everything had been destroyed. The Co-ops suffered great losses, both human and material. But there was great solidarity as Co-ops from the USSR and worldwide took the tragedy to their hearts and shared it with the Armenian people. Enormous material and moral support was provided for Armenian Co-ops, and the one good thing to emerge from the tragedy was the proof it provided that people all over the world want to live in peace and help each other. I was there 10 days after the disaster and saw representatives from many countries providing help. Afterwards we opened a special banking fund for donations from the USSR and abroad to help Co-ops.

*Is there a special message you would like to convey to the ICA authorities regarding the need to further promote women into positions of leadership?*

I wish the ICA authorities would stop talking so much and get on with ensuring that there is at least one woman on all the elected representative bodies. Women will win only when they have a chance to have equal status with men. That must be our Co-operative goal.

# The Argentinean Experience

## Successful Co-operation between Consumers and Agrarians

by Hilikka Kemppinen\*

*Husband and wife team, Dr. Bernardo Drimer and Dr. Alicia Kaplan de Drimer, have both been professors in the University of Buenos Aires' faculty of economic sciences. They have co-written books and articles about co-operatives. A main theme of these is collaboration between agricultural and consumer co-operatives. Hilikka Kemppinen, a member of the Working Party on Co-operative Communications interviewed Dr. Alicia Kaplan de Drimer for the ICA.*



Dr. Alicia Kaplan de Drimer

### Well developed movement

Describing Argentina's economic situation, Dr. Kaplan de Drimer said that although it was not a developed country it was not an underdeveloped one. Argentina's economy was affected by both internal and external factors: for example, the period of military rule and the influence of the petrodollar. Currently, Argentina must cope with high interest rates at a time when exports of products such as wheat, corn and meat to Europe and North America are suffering because these countries subsidize their own produce.

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Argentina is, however, fortunate in having considerably developed co-operative movements, which have been integrated into the economy on a voluntary basis. The co-operatives are members of two large confederations: CONINAGRO, formed by agrarian co-operatives, and COOPERA, made up of other kinds of co-operative (consumer, credit, housing, electricity, insurance, etc.). These are linked by a special commission.

### Consumer co-operatives

Dr. Kaplan de Drimer said that there were 700 consumer co-operatives and agrarian co-operative societies distributing consumer goods. Of these, two were particularly important: El Hogar Obrero and Cooperativa Obrera de Batria Blanca. El Hogar Obrero is a large co-operative,



*Fridevi - a cold storage plant for beef and lamb, located in Patagonia is another joint activity organized co-operatively between producers and consumers.*

having 280 shops of various sizes. Many of these are supermarkets (responsible for about 10 per cent of the retail market), and two hypermarkets are currently being constructed. Although the organization was presently operating in a limited area, she reported that it was in the process of expanding to many other parts of the country. In addition to its retail outlets, El Hogar Obrero is also one of the most important producers within Argentina, owning many large industrial establishments (bakeries, meat refrigeration plants, canneries, etc.).

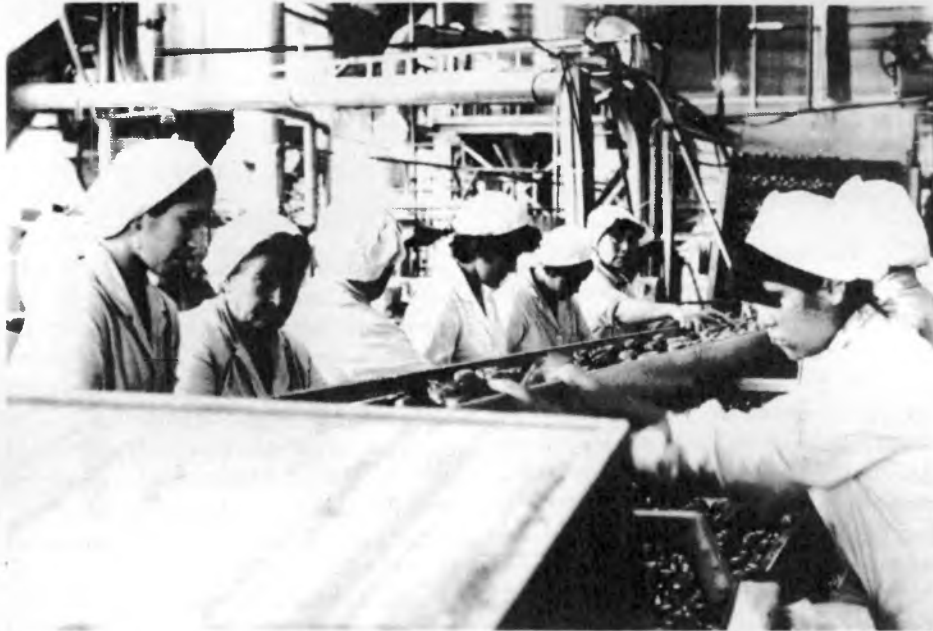
#### **Agricultural co-operatives**

Dr. Kaplan de Drimer said that about 90 per cent of agricultural producers were members of co-operatives. These co-operatives sell approximately 50 per cent of grain production and a large percent-

age of milk, meat and vegetable production throughout the country. They have their own factories, which make various products, and organize 20 per cent of their own cereal exports.

#### **Relationship between consumer and agricultural co-ops**

El Hogar Obrero buys large quantities of products from the agrarian co-operatives and, after packaging them, sells them in its shops. More importantly, El Hogar Obrero and the agrarian co-operatives co-own several industrial establishments, which they manage jointly. For example: in the Province of Rio Negro, El Hogar Obrero and the agrarian federation, ACA, together with two local co-operatives, own and operate a factory for processing and canning tomatoes and other fruit and vegetables, most of which are sold in



*The tomato processing plant of Viedma was one of the first agro-industrial co-operative initiatives.*

El Hogar Obrero shops. El Hogar Obrero employs technical staff who help producers to improve methods of cultivation; this has resulted in a higher standard of living within the region, due to increased crop yields and guaranteed sales at fair prices.

Another successful project, run along similar lines, has been organized by El Hogar Obrero, the ACA, and several agrarian co-operative societies to deal

with frozen meat. Furthermore, Dr. Kaplan de Drimer said that, in 1988, consumer and agrarian co-operatives had embarked upon another successful venture dealing with wheat and other grains in San Nicola, Buenos Aires.

In conclusion, Dr. Alicia Kaplan de Drimer said that the Argentinean experience of collaboration between consumers' and producers' co-operatives had been a positive one.

# Co-operation and the Labour Movement

by Peter Davis\*

## I. Introduction

The time has come for the Co-operative Movement and the Trade Union Movement, which have grown quite distinct over the last century, to return to their common roots and objectives. Their crisis of relevance and lack of mission have led to the political and industrial impasse that faces organized labour throughout the Western World. The ascendancy of monetarism in the political terrain has forced organized labour into a state of permanent opposition, unable to prevent the erection of legislative programmes hostile to the interests of working people.

Throughout world labour markets, particularly as regards the unskilled, high levels of unemployment exist with no end in sight. The growth in job opportunities that is taking place is in the form of insecure, part-time or temporary employment contracts in low-paid and non-unionized sectors of the economy. To a large extent, these trends have constrained the resistance of organized labour to the global strategies of multinational corporations in their drive to increase labour productivity and corporate profitability. Throughout the western world, monetarism has led to two classes within the

labour market: those with steady employment, and those operating in the secondary labour market who experience frequent bouts of unemployment and, when at work, earn low wages with little security or job-satisfaction. The experience has been that living standards have risen for the former, whereas those for the latter class have declined; creating social division between working people which undermines general or industrial trade unionism in favour of elitist company-union style agreements and to the spread of non-unionism in general. A parallel development from the late 1970s onwards has been the growth of Labour Co-operatives and a rising interest in Co-operative solutions to economic and social problems. I say "parallel" because (in the experience of the United Kingdom at least) the motive force for establishing such organizations has resided mainly outside the traditional labour movement.

This paper argues that the Trade Union Movement's only answer to Monetarist pressure lies in the utilization of co-operative strategies to underpin traditional methods. The voluntary investment of members' income in the controlled development of labour co-operatives provides the means to achieve this objective. It should be stressed at the outset that this is not proposed in contradiction to

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the ESOP strategy being advanced in the United States and United Kingdom, or to the usual collective bargaining role but as a parallel strategy that both supports the ESOP approach and strengthens the unions' hands in their collective bargaining. In the longer term, we argue below, this new strategy could realize the objective of majority Trade Union share-ownership within many large companies.

## II. The ESOP Approach

An ESOP in the United States has been defined thus:

"An Employee Stock Ownership Plan (ESOP) is a defined contribution retirement plan for a system in which employees of a company own shares of the stock of that company. The Internal revenue Code, under Sections 401(a) and 4975(e)(7) and the Employee Retirement and Security Act of 1 (ERISA) under Section 407(d)(6) define an ESOP as an individual account plan or a stock bonus money purchase plan which encourages employers to sell or contribute stock to their employees and which invests primarily in the stock of the employers".<sup>1</sup>

The U.S. General Accounting Office (GAO), in their recent survey of ESOPs in America, calculated that there were between 4,800 and 5,000 ESOPs operating by March 1986. Although there is nothing in the ESOP model to prevent working people from gaining control of their companies, the GAO survey found that in practice the American ESOPs show little progress in terms of worker involvement in management, and in terms of workers gaining a majority share holding.<sup>2</sup>

Mr. Terry Thomas, the Managing Director of Unity Trust (a British TUC-sponsored, and partially TUC funded, financial venture) is quoted as saying: "Our central purpose of the Unity Trust model is to create new risk capital. We lend money to the trust on behalf of the employees. Since the employees do not have to put up the capital in the first place the scheme allows all to be involved, rather than those who can afford to take the share risk. The values of the shares will then be driven by the employees' own performance."<sup>3</sup>

In the British, and some continental, systems, the trade-off between shares and wages appears to present the prospect of workers' wages being used, through share ownership schemes, to provide internally-generated equity for a business over which they exercise no direct control. Furthermore, these schemes make real wage levels (if shares are a trade-off against pay) dependent on profitability. As trade unionists recognize, profits can fluctuate for reasons completely beyond the control of labour, and the figures may be manipulated by accounting techniques. ESOPs, therefore, can become a means by which labour is made to bear some of the risks of capital.

The ESOP model ties workers more closely to their firm, weakening any sense of class solidarity. ESOPs could diminish the long-run importance of pay bargaining once bonuses start to become a large proportion of basic pay. The principle drawback of ESOP-type schemes, however, is their failure to address the problem of the organization of workers in general, in the small firm sector, the cas-

ual labourer, or, of course, the unemployed. ESOPs alone will do nothing to widen trade union membership in these poorly unionized sections of the labour market, or to incorporate the unemployed into the mainstream Labour Movement. In short, they make no contribution to the trade unions' overriding objective, which is to control the general labour supply. By dividing workers on the basis of company, rather than uniting them on the basis of class or industry, such schemes fit into the dual labour market strategy of the employers and do nothing to mitigate its divisive and damaging impact on the labour market as a whole. Nevertheless, ESOP-type agreements could provide labour with an important bridge-head into company

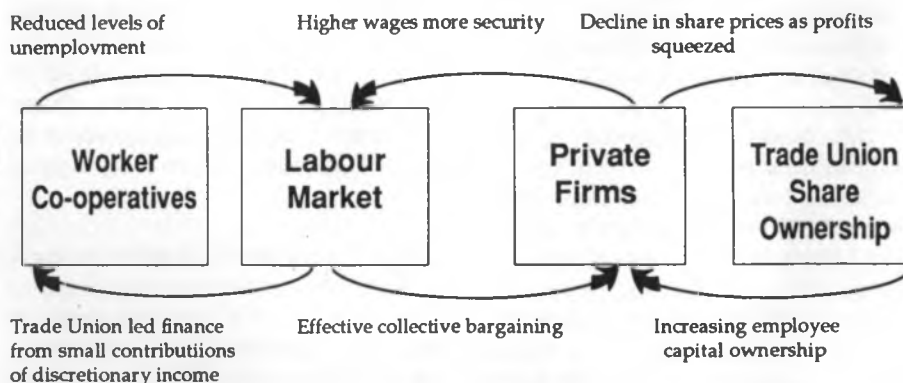
ownership and may even be a factor in preventing unwelcome mergers.

### III. The Relationship Between Trade Unions & Worker Co-ops?

The development of a trade-union led expansion of worker co-operatives does not require unions to abandon either their ESOP or Collective Bargaining Strategies. Rather, it provides the overriding condition for the successful operation of those strategies, as fig. 1 attempts to demonstrate below.

The study of early British unionism shows that their organizational goal, indeed their *raison d'être*, was twofold. Firstly, to gain control over the labour supply in

Fig 1: New Co-operative Formations as a Trade Union Strategy <sup>(i)</sup>



(i) For a more detailed discussion of the macro-economic implications of this strategy and of the source and organization of discretionary income for co-operative investment, readers are referred to Davis, P. "Co-operative Development as a Trade Union Strategy", in the *Journal of Interdisciplinary Economics*, Spring 1988 University of Exeter, England.



order to prevent market forces from reducing the level of wages. Secondly, many British unions sought to provide their members with independent means of maintaining themselves when unemployed and, beyond this, the means for self employment in their trade or industry. Unions like the Amalgamated Society of Engineers in the 1850s openly encouraged co-operative principles and Robert Owen himself made an earlier attempt to marry trade union and co-operative practices with his labour exchanges idea. Under modern conditions only a strategy that creates employment for at least a significant proportion of the unemployed can alter the balance of market forces and enable trade unions to re-establish the force of collective bargaining.

The significance of worker co-operatives lies in their potential as part of a trade union strategy for intervention in the labour market. They can function within the terms of a Monetarist small firms strategy. At just the moment when the industrial and political power of trade unions is waning and Capital is reorganizing the labour process so as to make the organization of labour on the shop floor extremely difficult, the worker co-operative offers unions an alternative means to control the labour market and defeat unemployment.

Worker co-operatives turn the ideological tables on the Neo-Classical Right with its 'free market' ideology. They are quite able to operate within the very secondary economy and secondary labour market developed to thwart labour organization. The fact that the worker co-

operative movement gives its members greater control and satisfaction at work is an added advantage because it makes it all the more (ideologically) difficult to resist the claims of labour for greater industrial democracy in general.

On the political and ideological terrain, co-operatives are a very difficult target for right-wing attack as they are based on values which the establishment has always sought to make its own; free competition in the market, self-help, hard work, thrift.

The mechanism by which worker co-operatives become such a potentially effective strategy for trade unions is twofold. Firstly, worker co-operatives become a mechanism by which workers can eventually own the means of production and distribution by being able to retain their surplus product. This enables the co-operative to pay off its loan finance and create a body of collectively owned capital. Secondly, co-operatives become an alternative source of employment which, properly managed, and being free of the need to compensate shareholders, can absorb labour that capitalist firms operating at the margin of profitability are forced to shed in time of recession. Recession causes dramatic leaps in the labour supply, just as the demand for labour in general diminishes. The availability of worker co-operatives to soak up redundant workers and continue in business in competition with private capital will reduce the pressure for a downward adjustment in wages in general whilst maintaining the competitive pressure on general profit levels in any given sector. As Fig. 1. illustrates, this

helps the promotion of employee share ownership by creating a downward pressure on share prices. To achieve this degree of success however, worker co-operatives need the support of the Trade-Unions and wider public to generate sufficient finance for their capital and management needs. To overcome the complexities of deposit-taking etc., we recommend all monies to be collected as donations.

Why, it may be asked, should core economy employees in relatively well-paid, secure jobs consistently, over many years, give away even a small amount of their disposable income? We suggest that the marketing of the scheme would need to concentrate on the following elements:

(1) **Altruism:** There is already a growing ethical investment movement. There is widespread concern for the unemployed and people are looking for ways to support practical solutions that do not appear to involve radical political postures. All opinion polls indicate a high level of public awareness and concern about this problem.

(2) **Strengthening of Collective Bargaining:** Trade union members need to be impressed with the scheme's potential to reduce unemployment levels and help bring market forces to bear to support collective bargaining levels. Such a plan is both an act of solidarity with fellow workers on the dole, and an additional leverage on the bargaining process which need cost the average trade unionist only a small proportion of his disposable income.

(3) **Insurance Against Future Unemployment:** Although no guarantee of co-operative employment could be undertaken, the promise of priority consideration for funding or employment will in itself make many workers feel that becoming a regular weekly contributor to the scheme carries a limited insurance against future unemployment.

We feel that all three arguments present a powerful combined incentive for workers to contribute. We have sought to demonstrate the importance of co-operatives for trade unions. Further, we suggest that trade-unions are, in any case, just a specialized form of workers' co-operative operating at the secondary rather than primary level.

Trade unions operate on the basis of mutuality, democracy and equity. They exist solely for the benefit of their members, and all assets are indivisible and collectively owned. They are rather like farmers' co-operatives in that they try to provide countervailing market power, not for produce, but for the provision of labour. The unions supply many additional services to members to help them operate securely in the labour market. Trade unions could just as easily be renamed Multi-purpose Labour Supply Co-operatives. Once the name changes and with it the realization that they represent co-operation between workers at the secondary (class) level, then the purpose of co-operatives and the trade unions becomes so obvious that one is shocked by all the controversy and mutual suspicion that has existed between them.

#### **IV. A Trade Union Co-operative Development Strategy**

The worker co-operatives created would have to produce viable business plans capable of demonstrating their business's ability to do two things: firstly, to pay back capital advanced by the unions and secondly, to sustain a given level of employment during the pay-back period at pay levels equivalent to the minimum rates of pay established by collective bargaining for their industry. The unions would have to accept that other aspects of working conditions - hours, holidays, job flexibility etc. - would be up to the workers themselves providing their decisions do not conflict with the two requirements for advancing a loan. A third requirement would be to register the business as a co-operative with rules which ensure, in the event of a subsequent winding-up of the business, that the residual will return to the unions for further co-operative investment. Management structures would vary according to need, from collectively managed to professionally managed; the only consideration being how best to secure the co-operative employment of the workers concerned. All workers would become full members of their appropriate trade unions, and rates of pay would be determined by national rates. The co-operatives' memorandum would ensure that the co-ops never pay below union rates, but after the loan was cleared they could pay higher rates if the business could sustain it. Should a co-operative not be able to sustain the union rates of pay, it should be required to make workers redundant or to close down.

In this way, co-operative businesses could not undermine workers elsewhere. Nor should this be seen as a harsh policy, for two reasons: firstly, the rule becomes an inbuilt incentive for efficiency. When it became necessary to apply the rule, the redundant co-operators would be considered for further co-operative employment elsewhere in a new or expanding co-operative. Secondly, a co-operative operating along these lines still needs only to make sufficient surplus for the continuation of the business. The firms in competition require a return on investment over and above the profits required to be ploughed back. Hence the demand is not unreasonable. Also, if there were not a nationally negotiated minimum rate, as in much service sector employment, then an agreed wage would be set to reflect the real level of wages being paid; or marginally higher rates if this could be afforded. The financial contributors would be employed workers, who would make a minimum contribution from their disposable income. Unemployed workers could, once members of the scheme, be offered a special rate for union membership in the union of their choice. Casual workers could be treated in similar fashion. As there would clearly be more applicants than funds for the early years of the fund's existence, a person's record of contribution (over a time period, not by amount) could be a factor in ensuring priority for funding once the commercial viability of the proposed co-operative had been established. The inclusion of the unemployed and workers from non-unionized sectors in the scheme would ensure their organizational link with the Labour Movement.

## V. Conclusions

By focusing on the most critical point for the functioning of capitalism, the control of the labour supply, this strategy has the potential to re-establish job security and the influence of labour in the market place. We would argue that the very strength of our strategy lies precisely in the fact that it does not attempt to do too much. It operates on the basis of the existing legal and economic framework, and its success does not require any changes in either. The worker co-operatives' potential to improve the labour market context for labour was recognized as one of their important benefits by Alfred Marshall. Derek Jones (1976), referring to Marshall's paper of 1885, "The Remuneration of Capital and Labour", (London, Canell) wrote:

"Marshall also believed that if more PCs were established, this would help to provide for more continuity of employment than presently prevailed under capitalism."<sup>4</sup>

We go beyond this to argue that our scheme has the potential for much more if operated in conjunction with other policies relating to collective bargaining and the capitalization of wages into collectively-run share purchase schemes. We do not claim that this will be accomplished overnight, but with the gradual accumulation of collectively-owned capital having commenced, the foundations for the establishment of Labour's priority over Capital and for a more equitable distribution of economic power will have been laid.

Perhaps equally important is the fact that Co-operation, a movement that is non-violent, non-sectarian, and non-statist, will have again been placed centre stage for the Labour Movements of the Western World. It is not a case of whether the working class has the resources to undertake this project; the financial resources clearly exist. The question is, to refer to Vanek, whether the political will exists to turn the potential into reality.<sup>5</sup>

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# ICA and International Trade Union Organizations

## The Need for Closer Co-operative Co-operation

by Ernest Laub\*

### Introduction

This paper is a reminder of what trade unions and co-operatives had and still have in common: a background of common ideals and efforts. This paper is also meant as an invitation for drawing up a kind of inventory of the present state of co-operation between the Trade Union and the Co-operative Movement. However, this inventory should not be considered as a goal in itself, but should be able to serve a triple purpose:

(1) In countries with insufficient co-operation between the Trade Union and Co-operative Movements and/or where both movements are weak, information on exemplary co-operation in other countries could induce trade unions to strengthen the labour movement and to promote co-operatives in various fields (housing, production, consumer, credit, etc.).

(2) In countries with strong links between powerful unions and important co-operatives, information on weak movements in poor countries with in-

sufficient co-operative structures could lead to joint trade union and co-operative assistance from strong organizations to co-operative projects in less privileged countries. This would have a synergical effect for both trade unions and co-operatives, and for the benefit of their members.

(3) At the international level, information on successful co-operative ventures at the national level could form the basis for better structured links - either informal or formal - to be established between the International Co-operative Alliance (ICA) and the International Confederation of Free Trade Unions (ICFTU) and its International Trade Secretariats (ITS), in order to develop a common strategy to promote a democratic, socially responsible sector of economy: i.e. co-operative enterprises.

However, the need for aid to co-operatives is so great, that co-operation between the ICA and the ICFTU should not exclude co-operation with other organizations outside the ICA and/or the ICFTU, since the co-operative ideal itself gives priority to broad co-operation towards a common aim, which is more social than economic and more humanistic than political.

*\*Ernest Laub represents the International Federation of Buildings and Woodworks at ILO meetings*

### **Common Background Guarantee for a Common Future?**

The underlying ideal of the Trade Union and the Co-operative Movements, especially housing, production, consumer, credit and insurance co-ops, is the improvement of the social and economic situation of the working population of urban and rural areas. Many co-operatives have been founded directly or indirectly by trade unions and many trade union members and leaders are active and influential in both movements. It is no coincidence that, where trade unions are powerful, they still support an important co-operative economy (mainly in its traditional sectors: housing and consumer). Where this is the case, the Trade Union Movement and the Co-operative Movement are still considered together with the Labour, Socialist or Socialdemocratic Party and the workers' cultural organizations - to form the Labour Movement in its entirety.

In other countries the initial coherence between trade unions and co-operatives has been disturbed. There are very different reasons for this development:

(1) In a number of countries trade unions retired from activities within co-operative enterprises for fear of conflict of interest.

(2) Some unions lost interest in co-operatives when they did not succeed in organizing the workers in this sector, or the co-operatives declared that they did not need trade unions since their working conditions were better than those found elsewhere.

(3) In other countries there was a slow separation between the two movements as co-operatives began to be managed and controlled by technologists who had no institutional links to the labour movement.

(4) Sometimes co-operatives collapsed owing to adverse market conditions or to scandalous mismanagement, an evil that could and should have been avoided.

(5) In other cases, business people, without any social responsibility, have taken over co-operatives, or landowners have superseded the rural poor for whom the co-operatives were founded. And in yet other cases, the ruling party or bureaucracy has usurped the leadership of co-operatives.

Such failures still occur in industrialized countries as well as in the Third World. Despite these failures at international level, trade unions commit themselves to the co-operative development, taking into account the excellent results of co-operation between trade unions and co-operatives that exist in many countries.

Trade unions believe that co-operatives can help solve many of the problems in the Third World as well as in the industrialized countries, e.g.: the informal sector needs structures which can be provided by following the co-operative examples of the organization of work, decision-making and exchange of goods and services. Other means, e.g. self-employment or contract labour are generally rejected by trade unions because these involve the poorest members of society in a system of merciless competition at the low-

est income levels. Amongst the co-operatives needed are multi-purpose co-operatives, handicraft co-operatives, forest workers' co-operatives, trading, consumer, credit and insurance co-operatives, in addition to co-ops with an emphasis on the promotion of the social and economic emancipation of women. (See: Seminar on African working women and the ILO Plan of Action for Trade Unions from English-speaking African Countries, Accra, 9-16 October 1988).

The International Year of the Shelter for the Homeless (IYSH, 1987) reminded us that the great worldwide housing problem has still to be solved, and trade unions generally advocate a co-operative solution to this issue. (The resolution concerning the IYSH and the role of the ILO, adopted at the 73rd International Labour Conference (1987) requests the insertion of the objectives of the IYSH in the ILO medium-term plan 1990-95. Trade unions and co-operatives are particularly addressed in this document.)

One of the answers to unemployment is co-operative development. This is not only the opinion of trade unions (e.g., British unions are particularly active) but of the Eurocoop (a European co-operative federation), the European Parliament and the European Community whose social funds are supporting co-operatives in regions that are economically disfavoured.

Finally, some trade unions are helping to create worker-owned companies (an important part of them organized as co-operatives) in order to fight union busting (e.g., in the Southern part of the USA).

However, as stated before, there are many places where communication between trade unions and co-operatives is insufficient. On the international level, trade unions and co-operatives are good neighbours: they live near each other (a strong presence is concentrated in Geneva), they frequent the same places (ILO and other UN agencies) and they hold each other in esteem. This is all well and good, but it is still not enough. There should be discussions on a common strategy related to sectors of common concerns. There should also be a discussion on the possibility of the exchange of expertise at different levels (that is why a kind of inventory of co-operative/trade union co-operation could be helpful) and on possible joint assistance (together with donor/sponsor organizations) to member organizations or simply to people in need of help (thus creating potential new member organizations).

The common background of trade unions and co-operatives, the co-operative ideals, are themselves not a sufficient guarantee for a common future: instead of leading to the elaboration and the implementation of joint actions from the ILO to the grass root level, they merely give birth to verbal declamations with uncertain repercussions.

### **Commitment to Co-operative Development**

It must be stressed that trade unions on the international level are making substantial commitments to co-operative development, especially within the framework of the ILO and other international organizations inside or outside the UN system.

Many international documents relating to co-operative issues published by ILO or by other international organizations are inspired by the trade unions:

- final documents of ILO regional conferences;
- resolutions and conclusions from industrial committees covering many different industries; and
- ILO conventions and recommendations.

The ICFTU and its ITS have the same consultative status as the ICA at several UN agencies. However, at the ILO, which has a very important co-operative programme, the international trade unions are not only observers, but have a direct link - at all levels (governing body, International Labour Conference, Regional Conferences, Industrial Committee meetings, etc.) - to (tripartite) decision-making through the ILO workers' group activities. The ICA's status is in fact restricted to one segment of the ILO, the ILO's Co-operative Branch, which does not make decisions on programmes and budgets itself, but executes them. Thus, the complementary approach to ILO (trade unions' link to the ILO workers' group; ICA's link to the ILO's Co-operative Branch) should be taken into consideration when establishing a common international co-operative/trade union co-operation.

According to the proposed programme and budget for 1990/1991, the ILO's activities in promoting co-operatives in urban and rural areas of the Third World should be supported by trade unions and by employers' organizations. The ILO is designing co-operative methods for the protection of the environment, i.e.

for antidesertification and the re-afforestation, and for supplanting the informal sector: these are aims that the trade unions will support, but adequate methods of co-operation must be adopted as the co-operatives and trade unions in the Third World are relatively weak, and assistance from abroad is needed.

It must be stressed that the Third World has confidence in the outcome of co-operative development which is a good long term choice, since the Western profit-oriented capitalist model and the Eastern bureaucratic economic system have some disadvantages - chronic unemployment in the West; chronic inefficiency in the East. ILO Regional Conferences (e.g., the 7th African Regional Conference, Harare, November-December 1988) regularly confirm their unbroken trust in the co-operatives' role in finding an answer to the socio-economic problems of their respective regions, and the trade union representatives are amongst the most ardent supporters.

### **International Co-operation**

It is imperative ILO policy in the field of co-operatives be inspired by trade union/co-operative co-operation. The next panel of consultants on co-operatives, which will be held in Geneva in 1990/91, must reflect this requirement and contain a sufficient number of co-operative specialists, who are at the same time active trade unionists. The participants will be 17 specialists on co-operatives, nominated by the ILO Governing Body, plus observers from competent non-governmental organizations.

On the trade union side it is the ICFTU that is co-ordinating the presence of trade



unionists at that panel meeting, but some of the ITS are also specifically involved in co-operative issues: e.g. the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW), the International Federation of Building and Wood Workers (IFBWW), and the International Union of Food and Allied Workers' Associations (IUF).

Next to the ILO the work of other UN agencies in the field of co-operatives, such as Food and Agriculture Organization, UNCHS/Habitat and UN Industrial Development Organization, is of interest for the ICFTU and/or the respective ITS.

The ICA and the ICFTU/ITS are permanently invited to follow the work of these organizations. But their role is not that of an observer, they should act as a lobby (a lobby amongst other lobbies: large companies and entrepreneurial associations, are also there!) seeking contact with government representatives and "nerve centres" within these organizations.

The liaison question is, therefore, a very important one and is closely linked with

the question of strategy. Discussions between the ICA and the ICFTU/ITS should include:

- a common strategic approach to liaison with UN agencies;
- a common policy in fields of joint concerns, i.e. how the ICFTU/ITS will reinforce the labour movement of Third World countries by supporting co-operative development, and how the ICA and its specialized organizations (ICA Agricultural, Housing and Banking Committees, and CICOPA (International Committee of Workers' Productive and Artisanal Co-operative Societies), will make available their expertise.

Since the question of co-operation between co-operatives and trade unions will also be discussed in the framework of the Committee for the Promotion and Advancement of Co-operatives (COPAC), the future role of COPAC as "power station" (providing elementary resources of any kind) of a new phase of trade union/co-operative co-operation should be thoroughly examined.



## Book Reviews

### Co-operative Democracy vis-a-vis Member Education

by Daman Prakash

Published by Co-op Times, New Delhi, Price US\$15.00

The book, *Co-operative Democracy vis-a-vis Member Education*, deals with a very vital issue where members hold the key to the democratic management of a co-operative institution. The responsibility of making co-operatives more democratic rests with the co-operative institution itself, rather than blaming the members for not participating in the economic and social operations and structures voluntarily. Members, as owners, give power to the management of their own co-operative to carry on the business of the co-operative in accordance with the broad policy guidelines given by them, but then the execution of these policies should be based on certain values, ethics, norms and principles, which are the key pillars of co-operative democracy. The book treats this subject in a systematic manner using conceptual aspect, historical developments, and operational practices.

The book takes note of the phenomenal growth in the number of co-operatives and their membership and the business operations of the Indian Co-operative Movement over the last 80 years. It traces the developments and problems encoun-

tered in various schemes of members' education. This giant Movement of the world suffers grossly on account of a negligence of members' development. The concept of 'self-help' and 'self-financing' in the field of members' education is sadly missed. The development of dedicated leaders is lacking. The resources are extremely inadequate, and the extension and education personnel, when they exist, lack the initiative to cope with current demands of the local initiative. The book places a strong emphasis on the role that a co-operative institution can and should play in the participative aspects of the members. It also advocates the educational, training and developmental roles that the apex business federations should play in order to prepare the Movement to face the challenges of the 21st century. The book also touches on various values in co-operatives - a 'high-pitch' discussion generated by the International Co-operative Alliance in these recent times.

Some of the key chapters of the book are: Meaning and Significance of Co-operation; Elements of Democracy in Co-operatives; Democratic Character of a

Co-operative; Problems of Co-operative Democracy; Need for Emphasis on Education in Management; The Need for Member Education; Constraints of Rural Development; Education for Democracy;

Co-operative Education and Democracy; Making Co-operative Democracy Effective; and Getting Set for 2000 AD. The book also carries a comprehensive bibliography and a number of illustrations.

G.K. Sharma

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## **Organization Development in Co-operatives: Structures and Processes, A Regional Perspective**

by Folke Dubell

Published by ICA Regional Office for East, Central and Southern Africa, Moshi, Tanzania, 147 pages

Many important themes converge in this new book--the need to strengthen national and apex organizations in countries of the South, which is the basis of ICA's development programme; the goal of self-reliance, which is the purpose of the 1985-95 co-operative development decade in East, Central and Southern Africa; and the importance of utilizing management techniques that are not only modern but also appropriate to co-operative values.

The author, the current regional development adviser in ICA's Moshi office, believes that Organization Development is a tool well-suited to making co-operative organizations, particularly at the national level, more effective. Although OD has been used as a management technique in the North for more than twenty years, it is relatively unknown in the South, where the emphasis of both local

leaders and external supporters continues to be on systems development in financial, educational, and other areas.

Since Organization Development places a high emphasis on people--their attitudes, feelings, and values--it should be very relevant to co-operatives. The author reviews briefly the concepts and literature on which the concept is based, and describes its various methods and techniques, ranging from traditional education and training to more innovative approaches such as team-building, quality circles, management-by-objectives, and transactional analysis.

Organization Development is essentially a "change strategy", and the author contends that co-operatives have traditionally not been very successful in managing change because their leaders have not realized that change is a process

which can and should be "managed". His descriptions of some of the most important structural issues (size, degree of formalization, extent of centralization) and process issues (leadership, communications, and decision-making) provide a useful check-list for decision-makers in co-operatives of all kinds.

Lest anyone be left with the impression that OD is the final, easy answer to the challenge of co-operative development, the author reminds us that any process of change, including this one, inevitably takes time; and that its methods and techniques may well have to be modified to take into consideration the particular environment of the South.

Bruce Thordarson

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## Trade Union Support for Co-operatives in Singapore

by R. O. Daniel

Published in 1987 by Singapore National Co-operative Federation Ltd., Singapore, 150 pages.

The success of the Singapore economy is well known. This tiny urbanized country with a population of only 2.5m has managed to achieve a per capita income of US\$ 7,000 and, after a brief recession in 1985, it seems to be continuing on its upward path, though less rapidly than in the early 1980s. A recent book\* calls attention to an aspect of the Singapore story which is less well known - a group of remarkable Co-operatives.

Until 1970, the Co-operative Movement in Singapore had an uneventful history. From 1925 to 1942, the colonial government encouraged the development of thrift and loan Co-operatives, serving private and public sector employees in urban areas. There was little support for other types of Co-operatives and the ef-

forts of Lim Yew Hock (who later became Chief Minister) to found a Consumer Co-operative had to be abandoned for "want of official recognition". At that time, the co-operatives were concentrated among the Indians and Malays, with very little involvement of the non-English speaking Chinese.

The Japanese invasion caused all co-operatives to cease trading, but from 1946 to 1969 there was steady, if unspectacular progress. There was some limited diversification, including the foundation of a few Consumer and Housing Co-operatives. One of the complications was that some activists were also associated with the anti-government side during the Emergency.

1969 was the turning point. In November of that year, the National Trade Union Congress (NTUC) held a seminar on "The Modernization of the Labour Movement", at which it was decided that the Trade Union Movement should set up its own co-operatives. The guiding principles behind this new activity included the payment of commercial rates to managerial staff, competition with private enterprise without special favours from government and preserving the ability of the NTUC to ensure that the new co-operatives maintained high standards of integrity and efficiency.

NTUC Co-operatives are controlled by a two tier structure. A Board of Trustees oversees the activities of a Board of Management. After the September 1987 triennial general assembly of the apex Singapore National Co-operative Federation, five of the seats on its Board of Trustees were filled by "life trustees" and only three by elected representatives. In the NTUC Insurance Co-operative the trustees appoint ten of the Board of Management; only three are elected by the membership. This is a radical departure from conventional Co-operative democracy, even if one takes account of the fact that most of the members are part of the Trade Union Movement from which the NTUC, which plays such a dominant part in Co-operatives, derives its power.

Much of the original finance was provided by the NTUC and its constituent unions. The NTUC has special rights in Co-operatives as the "Founder Member". Its constituent Trades Unions can join as "Institutional Members". Trade

unionists also join as individual members.

From a visitor's point of view the first visible evidence of the activity of Co-operatives in Singapore is the taxi service. The NTUC Workers' Co-operative Commonwealth for Transport Ltd (COMFORT) was founded in 1970, with the NTUC as founder member. Its objective was to enable drivers employed by exploitative owners, and the drivers of illegal pirate taxis, first to earn a better living and then to graduate to owning their own taxi. Now 61% of taxis in Singapore are driven by COMFORT members. They are supported by vehicle maintenance facilities which distribute any surplus back to the members, and by a savings scheme that helps them to finance a replacement vehicle or to provide for their retirement. COMFORT also provides driver training.

From the point of view of the residents, the 33 supermarkets or department stores of the NTUC FAIRPRICE CO-OP LTD are probably more important. In a typically undoctinaire way, WELCOME (one of the two organizations which merged in 1983 to form FAIRPRICE) made an agreement with a group of small general store owners to sell basic commodities supplied by WELCOME at controlled prices. Their prices became very competitive, greatly to the benefit of the general public in Singapore.

Another important NTUC Co-operative is INCOME which provides insurance. Part of its strength derives from using well trained Trade Union members to act as part-time sales people on lower commissions than the sales force employed

by rival insurance companies. It currently has more than 100,000 policies for nearly \$2 billion. These figures have to be seen in the context of the population and income figures quoted in the first paragraph of this review.

Readers are entitled to be skeptical when the record of an organization is praised in an anniversary history published "in house". The fact that I thought I was seeing something very remarkable, when I went to Singapore in 1981, might also be discounted because the visit was short and wonderful hospitality could have given my spectacles a rosy tint. However, it does seem that these NTUC Co-operatives are providing a most effective service to their members.

Much of the detail of the method by which this has been achieved is appropriate only to the particular circumstances of Singapore. Co-operators elsewhere may admire the way NTUC Co-opera-

tives started big and paid the market rate for the best managerial talent without necessarily wanting, or being able, to emulate it in their own environment. The broad principle of being prepared to rethink old orthodoxies and to move in radically new directions must be relevant to co-operatives everywhere. So must insistence on safeguards against corruption and on economic viability.

Mr. Daniel's book provides us with information about all these things. What it does not do is enable the reader to form a judgement about these organizations as "Co-operatives". Do the members feel that the NTUC and its trustees are ultimately answerable to them? Do they feel and act like the owners of these great businesses? To combine success in these matters with economic success on such a scale is a rare feat, and it would be wonderful to hear that Singapore had achieved it.

Peter Yeo

# 67th International Co-operative Day

*Saturday, July 1, 1989*

Message from the International Co-operative Alliance

## Unity In Diversity

The ICA represents almost 600,000,000 individual members worldwide. These members are drawn from every area of our world, every social and economic sector, every political party and every religious denomination.

Unity in this diverse membership is possible because co-operators are united by a common ideal: the economic and social advancement of people everywhere through democratic, voluntary, member-owned organizations run in the interests of the whole community and based upon mutual self-help.

For almost a century, this unity of purpose has permitted ICA, the movement's apex organization, to represent the interests of its diverse constituencies and to articulate their needs at the national, regional and international levels.

During his address to the 29th Congress of the ICA, in Stockholm in July 1988, Mr. Javier Perez de Cuellar, the Secretary General of the United Nations, stated:

*"The International Co-operative Movement in general, and the ICA in particular, have been a model of international collaboration; they serve as a source of inspiration to all.*

*The ICA is one of the few organizations in the world where North/South and East/West find a common meeting ground."*

**"Unity in Diversity is more than a theme or slogan in ICA" stressed Mr. Perez de Cuellar, "it is a daily work ethic".**

The International Co-operative Alliance calls on its large and diverse constituency of members to live up to these motivating words.

Peace and prosperity are possible for all nations, for we are all working towards the same objectives - even if we have taken different roads to reach our goals.

Let us as co-operators make "Unity in Diversity" our work ethic not only on this International Co-operative Day - 1989, but on each and every day of our lives.

## New ICA T-shirts & Polos



ICA is now selling several promotional items in the rainbow colours or bearing ICA's new rainbow logo.

The above-pictured T-shirts and polo shirts sell at S.Fr. 12.-- each (including postage). The T shirt comes in three sizes - small, medium and large. The polo comes in small and small-to-medium sizes.

In addition, ICA also has the following items for sale:

Co-operative Day Pens bearing the logo		
"Unity in Diversity"	SFr. 2.--	including postage
for 10	SFr. 18.--	including postage
ICA rainbow pencils for 10	SFr. 12.--	including postage
(box of 72)	SFr. 72.--	plus postage
ICA Rainbow flags (180cm. x 90cm.)	SFr. 50.--	plus postage
Wooden based rainbow table flags	SFr. 10.--	plus postage
ICA rainbow ties	SFr. 12.--	plus postage
Peter's Principle Maps with ICA		
Statistical information	SFr. 5.--	including postage



# News from the Library



## New Acquisitions in the ICA Library

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REVUE DE L'ECONOMIE SOCIALE - Vol. XVII, 1989 - La coopération en Union Soviétique - Paris, 1989, 223 pp., Special issue featuring history and prospects of the cooperative movement in USSR.

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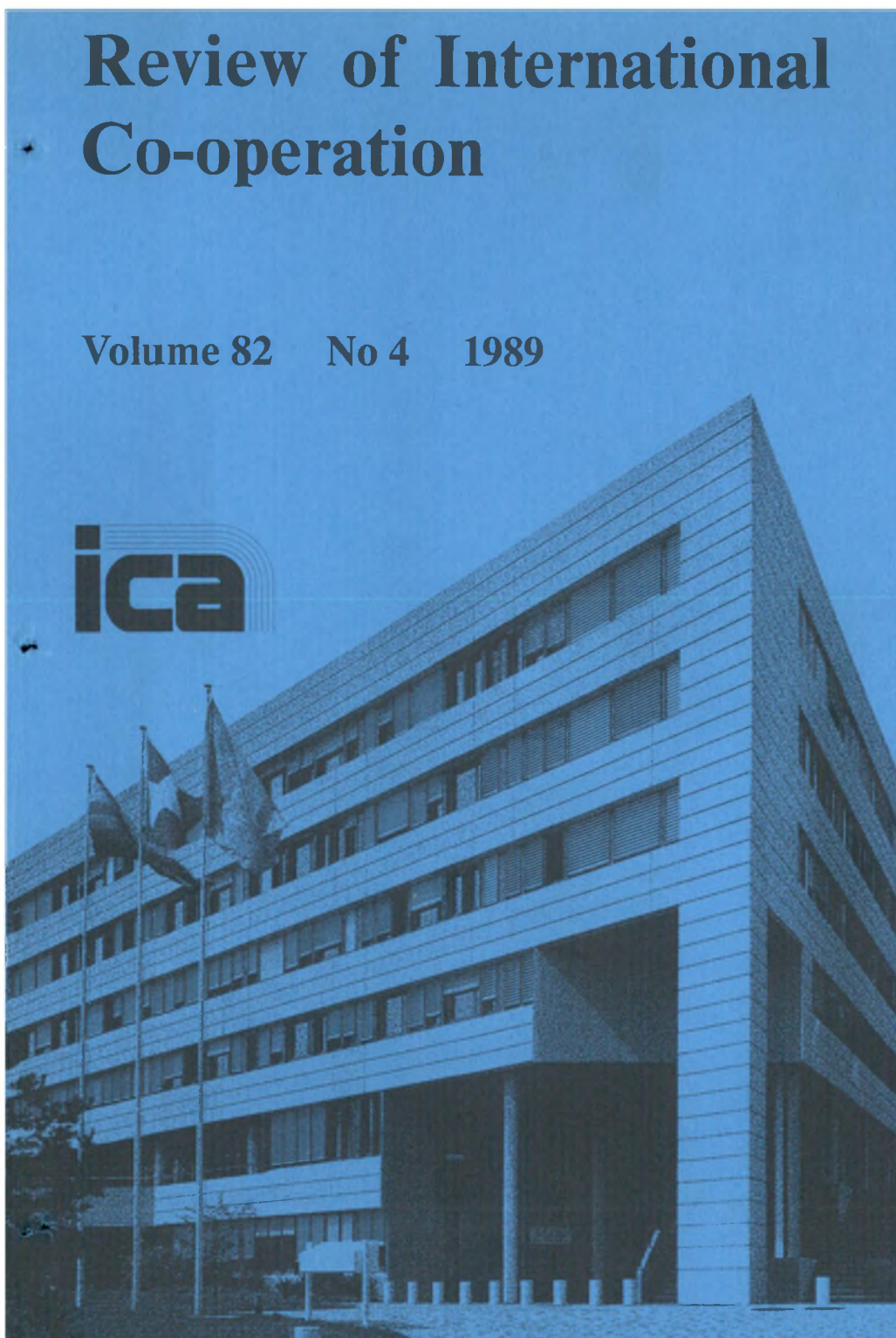
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# Review of International Co-operation

Vol. 82 No. 4/1989

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# Editorial

Dear Readers,

The Minutes of the Central Committee are now being sent immediately after each meeting in brief form, reflecting only decisions taken. For this reason we have decided to dedicate at least part of this issue to reproducing the addresses of keynote speakers. These articles reflect the two main themes of the New Delhi meeting. The first five are on the theme "The Challenge of Global Economic Integration" and the second five on "Co-operatives in Asia".



In addition there are three articles designed to bring our readers up to date with at least some of the initiatives currently being implemented by the ICA. These reflect the follow-up to three of the Resolutions adopted at the 29th Congress in Stockholm: "Basic Co-operative Values", "International Year of Co-operatives" and "The Co-operative Movement and International Debt".

We had so much interesting material for this issue that we have had a hard time fitting it all in. So as well as this edition being yet another bumper issue, we have had to leave some of the articles till the next Review, due to be published at the end of March 1990, and we apologize to the authors for the unavoidable delay.

Europe has changed so much from the time we started preparing this Review. We are living through exciting times as history is being made. We hope to bring you up to date on how the events in Eastern and Central Europe are affecting the Co-operative Movements in this part of the world. Besides keeping you regularly informed of ongoing events in the ICA News, we expect that after the forthcoming meetings of co-operative leaders from Poland, Hungary, Bulgaria, Romania and Czechoslovakia (see details in the President's Message), to be able to give you situation reports on the movements in those countries.

In the meantime it is heartening to observe that the solidarity which has always existed between co-operators throughout the world is still as strong as ever. An example of this is the initiative launched this week by Co-op Switzerland who are financing all the administrative costs of a campaign called "Co-op Members Help Romania" so that the full amount donated will reach the Romanian people, as well as starting the fund off with an initial donation of SFr100,000.

We would appreciate hearing about any other such initiatives so we can keep members informed about them through our regular publications.

*Mary Treacy, Editor*

## Message from the President

I imagine that the whole world has been watching the recent developments in Central and Eastern Europe with as much interest as I have during the last few months. The changes underway seem indeed historic. But they also have important implications for the Co-operative Movement.

In many of the Comecon countries, progress towards economic reform and liberalization has been accompanied by a severe questioning of the continued role and relevance of the current co-operative structures, especially the central co-operative organizations. In some ways this is a positive development, for it puts the accent on the need to ensure co-operatives are democratic and operating in the interests of their members. But it is also worrying because there is a danger that the whole concept of co-operation could be discredited in these countries at a time when a true, strong co-operative movement is more needed than ever.

I have also heard from many ICA members outside the region. They are wondering what they can do to assist the process of liberalization and democratization that is occurring in Central and Eastern Europe. They also want the ICA to clarify its own position in light of the many changes taking place.

As a result, the Director and I have prepared—and the Executive Committee has reviewed and amended—the



following statement which attempts to give the collective ICA view on this subject:

“The International Co-operative Alliance has observed with great interest the historic economic and political developments now occurring in many countries of Central and Eastern Europe. We are hopeful that these changes will ultimately be of benefit to all their citizens and will promote international harmony. We are also optimistic that these changes will enable the Co-operative Movements in these countries to make increased contributions to economic development. We further believe that the basis for change within co-operative movements should be promotion of the interests of the co-operative members and the rigorous application of co-operative principles of democratic control.



"The ICA's members in Central and Eastern Europe have been strong supporters of international co-operation. They also have a long co-operative tradition, in many cases going back to the last century, which should be respected. We are confident that they will be successful in responding to these new opportunities to apply basic co-operative values.

"We underline the fact that the nature and pace of this restructuring have essentially to be national, internal matters, and thus to be decided by each movement. In the final analysis it is the members who must decide what role their co-operatives will play on their behalf. The ICA and its worldwide membership have a vast experience in the application of democratic principles to business management in all socio-economic systems. It should be a duty of all ICA members to identify opportunities, and respond to requests from their colleagues, for the application of these principles of economic democracy.

"On behalf of its members, the ICA is prepared to offer the full support of the international co-operative movement to the economic and political restructuring now underway in Central and Eastern Europe, and to the strengthening of co-operative movements on the basis of fundamental co-operative values."

I think it is obvious from this statement that the ICA does not wish to interfere in matters that should be regarded as national and internal. We only want to underline the democratic character of our movement at a time

when economic modernization is being discussed in relation to democratic principles. During recent months I have been invited to attend many annual meetings of co-operatives in the Comecon countries. This has given me an acute sense of both the problems and opportunities facing the Co-operative Movements there.

Our secretariat in Geneva is also planning some initiatives for the coming year. We will be making available training material to assist in the strengthening of grass-roots co-operatives in Poland, in collaboration with the ILO. We will be holding a meeting between the leaders of Central European co-operatives, European ICA Executive Members, the Director and the President in order to have an overview of the present situation in these countries and to identify areas where ILO could be of most help. We are planning to organize a conference on opportunities for East-West economic collaboration later in the year. We will be sympathetic to other requests for assistance, within our limited means.

As with all economic and political development, we know from experience that the real work and efforts must come from within. Outsiders can only supplement and assist. Our friends in Central and Eastern Europe must decide themselves how they wish to organize their new societies, and how they wish the co-operative form of enterprise to operate. We will all be doing a lot of watching and listening during the next year. And when the call comes for assistance, I am sure we will all respond positively.

*Lars Marcus*

## Address by Rajiv Gandhi



I would like to first welcome all the delegates to Delhi, to India, especially our foreign delegates who have come here for the first time for this Conference. I believe this is the first time that the ICA has come to Asia and we are honoured and happy that on this first visit to Asia you have chosen Delhi as the venue for this Conference.

India has banked a lot upon the co-operative movement to bring about change and development in our rural areas. When we became independent, we had a number of challenges facing the nation. The most important was how the newly-won independence would be converted into freedom for each and everyone of our citizens. Politically, we chose democracy as the only way we could achieve this. Other systems were available, they were suggested, but we felt that if freedom was to be meaningful, it could only be

meaningful through democracy. But in a fledgling democracy, born out of a colonial structure, a feudal structure, freedom could mean nothing if those structures were not destroyed and changed. To break the feudal structures right down to the grass-roots level, we chose the co-operative movement as our major weapon, and it was Pandit Jawaharlal Nehru who gave this thrust to the co-operative movement in India.

If I can digress for a moment, sometimes the simplest formula does not work like one wants it to work. For example, democracy sounds very good but if the economically powerful are able to capture the democratic system because they have the strength to fight elections, to influence people and to win, then there is something wrong. If there are certain socially backward sections of our society which are so

socially depressed that they are not able to get proper democratic representation, then that, too, needs correction. So, just taking a formula by itself does not help; we have to apply that formula properly to the reality of the particular situation. To strengthen our democracy, it was necessary for us to build and strengthen the co-operative movement in India.

In the old days, there was a nexus between the large landlord, the landholder, the middlemen that controlled the credit and the marketing mechanisms. The co-operatives were given the task of breaking this unholy nexus and allowing the poorer and weaker people of India to break out from under these shackles and to take full advantage of the freedom that they had won. Although the legal framework of feudalism was dismantled with independence, the repercussions and the leftovers continued and perhaps in some parts of the country they still continue and the Co-operative Movement has to be the basic method of changing these systems in our country.

Jawaharlal Nehru had said that while the Panchayat will represent the administrative aspect of village life, the co-operatives will represent the economic side. This is exactly what we have been trying to do with the co-operatives in India. Our Green Revolution was helped very much by science and technology; it was helped by extension work, but it could not have taken place if the co-operative movement was not there to give it the thrust that it required.

At the same time, there are many problems with our co-operatives. This is

not the place for me to go into it in detail but there is a vast difference in function. In some parts of the country, our co-operatives are perhaps amongst the best in the world. In other parts, the less said, the better. So, we have to do a lot of homework ourselves in revamping our co-operative movement and making it once more the real cutting-edge for the removal of exploitation at the grassroots level. This what our Government intends to do in the next five years.

We have started a process of democratic devolution. We found that we could not bring about rapid economic change if we did not bring about parallel political devolution. And when we looked at political devolution, immediately the question of the stronger sections of society exploiting the weaker sections at the grassroots level had to be tackled. And the only way we can balance that is to equally strengthen the Co-operative Movement at the grassroots level so that the weaker sections get an opportunity to fight for their rights. This is a process that has already been started in India and, in the coming years, we will strengthen the process and I am sure that our Co-operative Movement will have a new strength to give a new impact to development in the next few years.

But while one can look at the challenges within a country such as India where for development, for social justice, for helping more the weaker sections, the exploited sections of our society, we turn to movements such as the Co-operative Movement, there is a very strong parallel between those feudal attitudes that prevent us from

developing and some of the attitudes that exist in the global economic system today. The same exploitation that takes place within developing societies can be seen to be taking place in the global economic environment. The weaker, poorer countries have to face cartels, they have to face groups of countries that design policy, that mould policy to their benefit; they have to face pricing of commodities which is disadvantageous to the developing countries; we have to pay very high rates for technology. Everything is weighted against us, not very different from how the system weighted everything against the poor farmer immediately after independence. Perhaps the World Co-operative Movement should be widening its perspective from just strengthening individual co-operative movements to seeing how exploitation is ended, not only at the grassroots level in every country, but how exploitation can be ended worldwide and globally because this is going to be the major challenge in

the coming decades where, very clearly, the world is moving towards a much more democratic relationship where civilization is moving much more towards understanding and accepting different points of view but the mindset which belongs to the last century, the mindset which gives certain groups of countries or people a feeling that they have a right to exploit, that they have a right to lay down the way the system will function, still continues. And, just as within the country we have used the co-operative movement to break this outdated mindset, this is the time to use these same strengths to break out globally of the 18th century thinking.

I wish you all the best in your deliberations, I am sure that the Indian Co-operative Movement will learn a lot from the representatives of other movements throughout the world and I hope that this meeting will give a new thrust and dynamism to the world co-operative movement.

*Right: Rajiv Gandhi presenting two books which were specially prepared by the ICA Regional Office for release at the Central Committee Meeting in New Delhi. The books, which were written by Dr. R.C. Dwivedi, are "ICA in Asia" and "Role of Government in Promoting Co-operative Development".*

*Below: India's Prime Minister, Rajiv Gandhi greeting ICA President, Lars Marcus of Sweden.*

*Facing Page: Different Forms of Greeting - Rajiv Gandhi greeting ICA Regional Director, G.K. Sharma and representatives of the Indian Co-operative Movement.*





## Director's Report

This report intends to complement the Annual Report, which has been distributed with translations in all five official languages; it provides some additional information about some of the major ongoing activities of ICA.

The President spoke about our important research work on the link between Basic Values and economic efficiency. ICA has obtained the services of Sven Ake Book, former Director of the Swedish Co-operative Institute, to co-ordinate this study.

An Advisory Committee has been established consisting of representatives from Finland, West Germany, France, Italy, Hungary, USSR, Japan, Canada, Zambia and Argentina. (The names can be found in the ICA News No. 3/89). Mr. Book will be meeting with leaders of member organizations and specialized organizations. He and other ICA representatives will be happy to participate in any meetings organized on this theme. A progress report will be made to the 1991 Central Committee.

The Executive Committee has decided that one of the themes for the 1990 Central Committee should be capital formation - indeed, this will form an essential part of our Basic Values Project since the search for new ways of raising capital, while still ensuring sufficient co-operative control, is a crucial one in many of our movements.

The President also mentioned our efforts to have the UN declare 1995 as the Inter-



national Year of Co-operatives. Good progress has been made. The Executive Committee has asked governments for their reactions, and most have been positive. But if such a request is to be accepted by the General Assembly, it requires the support of a majority of governments represented. Therefore, after the Central Committee and before the end of the year, the Secretariat will write to all member organizations asking them to approach their governments. If we are successful in having the year declared as the International Year of Co-operatives, it should provide opportunities for a wide range of activities that will improve awareness and understanding of co-operatives among the general public and our own members. The goal is to introduce the request to the General Assembly next September.

Continued strengthening of ICA's regional presence was also mentioned by the Presi-

dent. The role of ICA in Asia will be discussed in detail during this ICA Central Committee. I should only mention that the Executive Committee decided this week to change the name of the Regional Office for Asia to the Regional Office for Asia and the Pacific in recognition of the increased scope of the office and a deepening relationship with Australia, in particular. This will be reflected in a major ministerial conference and trade fair to be organized by ICA, in collaboration with the Australian Association of Co-operatives, in Sydney, Australia in February 1990.

Similar efforts are under way in Africa to strengthen the position of the co-operative movement. A ministerial conference is also being organized by our Regional Office for East, Central and Southern Africa in Nairobi in May. The Regional Office in Abidjan has just developed a detailed five-year workplan which focuses on the need to change the balance of power between co-operatives and governments in West Africa.

With regard to Latin America, we will be presenting to the Central Committee a proposal to establish a new Regional Office for Central America and the Caribbean in Costa Rica. In addition, plans are continuing to open a project office in Argentina before the end of next year. To this end we need to organize further consultations with our Latin American members.

Finally, we are continuing our efforts to support the work of specialized organizations and working parties and to work together in areas of common interest. ICA provides secretarial services to seven of the 14 specialized organizations and working parties. Modest financial support is given to some from the central

budget. There are attempts to undertake joint activities, especially with regard to the United Nations and development issues.

This Central Committee meeting, of course, is very much designed with this goal in mind. As you are all aware, the schedule has been changed this year to enable all specialized organization and Central Committee meetings to take place within a one-week period. We hope that the two themes to be discussed by the Central Committee will also contribute to the agendas of the Specialized Organizations and that we will all receive the benefit of their views on them. Of course we recognize that there are also some complications as a result of this new format, and we will distribute a questionnaire at the end of the meeting to seek your views on the schedule for future meetings.

I would like to conclude by expressing the thanks of the Secretariat to our members for the support which we invariably receive from them. We know that a 15-person Secretariat, plus the 45 staff in our Regional Offices, cannot possibly meet all the needs of our members. That is why we have attempted to establish a few clear priorities in all of our activities. We hope that the discussions taking place at the many meetings this week will give our members a clear sense of how the Secretariat and Executive Committee are seeking to put into effect the policy guidelines formulated by Congress and Central Committee.

And, on behalf of all of our staff, I think it is fair to say that the Secretariat looks forward to the coming year with considerable optimism.

*Bruce Thordarson*



## Behind The Scenes . . .

*Right: Mr. Agarwal, Chief Executive of NCUI, who had the incredibly stressful job of co-ordinating all the conference arrangements, also took an active part in the meetings and*  
*Below: Finola Marras, ICA Meetings Manager, was Secretary to the Tourism Committee in addition to her other responsibilities. In a small Secretariat everyone must wear several hats . . . and, like Finola, look good in all of them.*

*Facing Page:*

*Above: At an evening reception. Lars Marcus, ICA President discusses plans for the following day with G.K. Sharma, Regional Director, and*

*Below: rushing back from a working lunch to the next meeting.*





**Behind The Scenes . . . (Cont/d)**



*Registration can be hectic with everybody hurrying to register before the meeting starts.*



*At the end of the day - nothing is right if the finances aren't right.*

## ICA President's Address

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Honourable Prime Minister, Union and State Ministers of Agriculture, Secretary Agriculture, President NCUI, Honoured Guests, Fellow co-operators and friends.

The International Co-operative Alliance was founded in 1895. ICA - as we call it in short - is a child of the industrial revolution but with self-aid and self-reliance in its genetic inheritance. European members have dominated it for almost a century.

In 1960 our Alliance opened a regional office for South East Asia here in New Delhi. The purpose was to serve co-operative development in the area. The co-operative tradition was then already strong in some Asian countries like Japan and India. In other newly-independent countries, it was growing.

Almost 30 years later our Central Committee now meets for the first time in Asia and here in New Delhi. Generally speaking we can look back at a success-story.

Our regional office still stands here in New Delhi and in the Bonow House, but its name has been changed just as the membership of its council has been increased. Besides the old members like India, Pakistan, Bangladesh and Sri Lanka, you now find the strong co-operatives of Korea, Japan, the People's

Republic of China, Australia, and from this year on, the USSR on its council. New Delhi has become the seat of the ICA Regional Office for Asia and the Pacific.

ICA counts today more than half a billion individual co-operators in its membership. Already more than half of them belong to Asian co-operatives. I am not stating this as a proof of our success. I state this to remind the Central Committee that the world has changed - so has its co-operative society. Our meeting here could also mark a turning point in our history. Time will tell.

At this point I also want to comment upon our agenda. Two major themes will be discussed. The topic "Co-operative Development in Asia" was a natural choice on the basis of what I have just said. The world's economic centre of gravity has gradually moved towards this area and co-operative growth is faster in Asia than anywhere else at present. The facts are well known but our Executive hopes that our agenda will make the picture clearer and stimulate reflection among members in other continents. It is about time we learn from Asia. It is about time that Asian partners are integrated into our own commercial operations.

The other major theme is a global process of which almost everybody is

fully aware, but which few have better reasons to evaluate than this audience of co-operative leaders. Our local connection has long been a competitive strength. When global economic integration takes place and national borders gradually become obsolete, the previous advantages can easily turn into a threat. Are we to remain local or at least national? In what forms can we operate transnationally? The ICA Executive wants to contribute to this discussion in our Specialized Organisations by introducing this important theme.

At this opening session, I wish to respond to the cordial welcome of our hosts in the National Co-operative Union of India.

**Dear President Bhuria.**

Some of us know from personal experience about the combination of feelings when one takes on the duties as host to the ICA. It is a mixture of pride, excitement, fear and nightmares. At the beginning it is a question of finances, at the end everything is just practical details, thousands and thousands of them. Then suddenly the meeting starts. And details stop being the main thing. Everything works, because details are only details.

We accepted the invitation from you and your colleagues with joy. As President of ICA I know probably more

than most people about the efforts you have made to make us comfortable. It is an old saying in my country that you shall not sell the pelt until the bear has been shot, but from what we have seen so far, there are signs of success in the sky. We certainly appreciate what you have done on our behalf.

**Mr. Prime Minister.**

Your presence here today is an honour for us but has also a wide significance. Your grandfather, your mother, and yourself have all served your country as Prime Ministers. To all three of you co-operative development has been a tool to overcome the early problems of your country. Your grandfather, Pandit Nehru, took part in the opening ceremony of our office 29 years ago. From then on our Alliance has observed the same friendly protection from your Government as was bestowed upon its Indian members. This was necessary in India and as a result your country now has an experienced, strong and huge core of self-aid enterprises, which can add to economic pluralism and thereby faster economic growth. ✓

It is an honour to have you, your colleagues and the tradition all of you represent at the opening session of our meeting. We thank you for the friendly reception in your country.

*Lars Marcus, ICA President*

# The Challenge of Global Economic Integration: Capturing the Opportunities

by Duane Acker\*

I commend the organizers of this conference for choosing the topic, the challenge of global economic integration. It is important that the world's co-operative leaders give intensive thought to this integration, how it may affect their co-operatives and their competition, how they may capture the opportunities it provides, and how they may avoid the accompanying dangers.

I also commend the co-operatives and the organizations of co-operatives which have contributed so much to economic growth and human development in countries around the world. With their own resources and with assistance from many donors, including the US Agency for International Development, the co-operative movement has helped develop farm supply, dairy processing and marketing, housing, credit, rural electrification and other types of co-operatives in dozens of countries.

Co-operative leaders from many countries have invested energy, creativity, and years of their lives in helping people of developing countries gain the benefits of the co-operative concept.

\* Duane Acker is Assistant to the Administrator for Food and Agriculture, US Agency for International Development.



Co-operative leaders and managers in these developing countries deserve our support and admiration. They make good things happen.

They see to it that the co-operative concept is adapted to the members' needs.

You are good business people, you are humanitarians and you are a positive influence on the total economies and societies of your countries. We in USAID are especially proud of the work of our co-operative partners in development, including Agricultural Co-operative Development International, Co-operative for American Relief Everywhere (CARE), Co-operative Housing Foundation, Credit Union National Association, Land O'Lakes, National Co-operative Business Association (earlier known as the Co-operative League of the USA), National

Rural Electric Co-operative Association, Overseas Co-operative Development Committee, Volunteers for Overseas Co-operative Assistance, and others. These organizations represent more than 60 million co-operative members, including about two million US farmers.

### **The Principles**

Co-operatives exist to serve their members. In most societies three principles guide co-operatives:

- member/user owned
- member/user controlled
- benefit the users/members.

Additional principles guide some co-operatives in some countries, in most cases dealing with details of operations.

In all societies, however, one co-operative principle is paramount - co-operatives exist to serve their members/users.

### **Importance of Co-operatives**

In 1985 there were about 740,000 co-operatives among the 72 country members of the International Co-operative Alliance. Co-operatives exist in more than 140 of the world's 170-plus countries.

Co-operatives are especially important in the United States. In 1987, there were an estimated 40,000 co-operatives, classified into 20 different types, and with total membership (including some duplication) of about 94 million.

New co-operatives have formed each year. Some have gone out of business. Some have restructured. Some have

merged, acquired others, or been acquired.

Between 1970 and 1985 there were 2,264 co-operatives added to the list maintained by the Agricultural Co-operative Service of the US Department of Agriculture and 4,642 removed from the list.

Over time, there have been many changes among co-operatives. The purpose of all co-operative change is to best serve members. When needs or circumstances change, an alert membership and leadership will seek the change that is needed. This feature of co-operatives, to best serve members, is probably the overriding factor that makes co-operatives important and valuable in our societies. It is the reason they endure.

### **Serving Members' Needs**

Members' needs are determined by their circumstances, that is, their business, their income, their location, and also what they know is available. The numbers of members are limited only by physical or communication proximity.

In earlier years in the United States, and today in those countries where travel is limited, all members of a co-operative have been in close physical proximity. Members have tended to be homogenous in their wants; most want the same things from their co-operative. This gives the co-operative a very specific mission.

In such cases, services offered or product inventory could be limited. Also, the co-operative has dealt within one municipality, one state or province, so

is guided by one set of business regulations, and works with one currency.

Today, in much of the world and especially with regional and finance-related co-operatives, such is not the case.

Businesses are larger. Members and potential members want more services and more products. By radio, television, and other means, they are exposed to an endless array of services, products, or commodities. These can be imported, products by physical means and services by electronic means.

There is more competition, and there is much change in the economic environment.

### **Global Economic Integration**

Global economic integration, made possible by both transportation and electronics, allows any economic change to have some impact on almost any co-operative. Let us look at the world scene, and some of the major economic changes our generation is experiencing:

1. The European Economic Community and its movement toward 1992, toward free trade internally, toward a single currency, toward a consolidated economy.
2. The economic growth of South East Asia - Indonesia, Singapore, Malaysia, Thailand, Hong Kong, Taiwan and others.
3. The economic growth and prominence of Japan.
4. The heavy debt load of the United States, moving toward \$3 trillion.

5. The heavy debt load of many developing countries.

6. Movements toward a market economy in China, the Soviet Union and Poland.

7. Movement toward debureaucratizing within some highly bureaucratized market economies. Chile is an example. In the United States, we may call it deregulation.

8. International money movement that dwarfs international commodity trade. By 1984, money movement was 10 times the dollar value of world commodity trade. During 1989, worldwide currency trading has totalled more than \$300 billion per day. This means that changes in relative values of currency may be more important to a business that deals internationally than the production cost of a commodity or its position.

These changes are the result of, and also prompt, more rapid worldwide communication, more efficient handling of cargo (containerization and roll on/off); round-the-clock trading of currencies, equities and commodities; and attention by GATT (General Agreement on Tariffs and Trade) negotiators to reductions in both tariff and non-tariff barriers.

### **The Nature of the Challenge**

A co-operative or any other business is designed to succeed within a particular environment. That environment includes both freedoms and protections. For local agricultural co-operatives in most market economies, a co-operative is free to buy and sell, and to serve its members, with very



few constraints. Because its purpose is to serve local members, it has amassed only the capital and management talent needed to serve that local membership.

Where such is the case throughout a region, some protection is automatically provided by each co-operative having "its own territory". The limited capital, the homogeneity of clientele and the geographic limits of individual co-operatives provide some protection to the co-operatives in adjacent communities.

The principle has held for regional co-operatives. The extent to which adjacent regionals' memberships have homogenous interests, limited capital, or limited wants, some protection is provided other regionals.

The same principle has also held for credit, housing, consumer, marketing and other co-operatives.

As long as the wants of a co-operative's members mesh with their structures and services, and as long as external competitors are not significant, there is little need for change in the structure or operations of a co-operative. But when wants increase, or the ability of a competitor is enhanced and protection disappears, challenges and opportunities abound.

There are other examples of constraints on co-operatives. Co-operative farms may be constrained by quotas, by limited supply of inputs, or by technology. To the extent that neighbouring co-operatives are similarly constrained, protection is provided to each. But when that protection disappears,

when an adjacent co-operative farm adopts new technology, solves input bottlenecks, or finds markets beyond production quotas, challenges and opportunities abound.

All forms of co-operatives have been constrained to some extent by communication, transportation, currency, tariffs, or language, and so they have also been protected by these constraints on others. When those constraints drop away, challenges and opportunities abound.

That is what is going on in this world, at a rather dizzying pace.

### **What of the Future?**

In the years ahead, constraints will further diminish. Global economic integration will help reduce constraints, and open up many new opportunities to co-operatives for linkages and services.

Our wants will continue to increase. We will want access to a wider array of food items, services, savings alternatives, credit alternatives, or customers for our produce.

Communication, transportation, commodity trade, long-distance currency transactions and other changes will provide members and potential members with more options. Both co-operatives and non-co-operative businesses will have access to more commodities, more products, more services for users, and also to more geography and more potential users (members). Co-operatives share unique characteristics that they should use!

All this means there will be need, and opportunity, to forge new linkages,

perhaps new and different business arrangements. These opportunities can bring, for your co-operative, either more or less security, more or less business, more or less comfort for managers, and more or less benefit for members.

But there is more than just global economic integration. These many changes mentioned above will require other changes.

When there is movement from centrally-planned economic activity toward a market economy, new and different procedures, systems, and institutions are usually needed. The ability of co-operatives to recognize these needs, and to help bring them about, is critical. These needs include mechanisms for leasing and contracting, courts for civil litigation, standards and ethics for doing business, and organizations to represent and to serve co-operative and other private sector businesses.

When debureaucratization proceeds, there may be need for new mechanisms within the private sector to help maintain order within the sector.

When the services to be provided to members expand, management must adapt to maintain quality control in the services, to monitor, and to ensure efficiency.

When geography expands to additional communities, provinces, or countries, management must adapt to multiple regulations, be more concerned about fluctuations in currency values, have instant communication systems.

To avoid the dangers and pitfalls these changes would allow, much attention must be given to education of co-operative managers, leaders, and members. I encourage continued discussions and programmes within and sponsored by this organization, by co-operative groups within countries and regions, and among co-operatives of common type and mission.

Visits to other co-operatives, to non-co-operative businesses, and to other countries broaden the perspective, and help in the recognition of the opportunities for managers and leaders.

### **Successes and Failures**

My invitation to address this distinguished group included the suggestion that I provide examples of success and failure. No doubt there have been failures in the co-operative movement, where members' needs have not been well served, or where they could have been better served. You are best able to recognize such cases. More important, in such failures, you are likely to know why the failure occurred. I would emphasize that many changes in co-operative structure, including mergers, acquisitions and even close-outs, should be classed as successes, not failures, of the co-operative movement, if these changes have enhanced member benefit.

Among the many visible successes in the co-operative movement is one of India. It is a success of which many countries, including the United States, feel proud, because we each played some positive role. It is a success of which co-operatives of many coun-

tries should feel proud, because parts of their structures and experiences are embodied herein.

I refer to Amul, the trade name for the Kaira District Co-operative Milk Producers Union, which began in the late 1940s with a collection of 250 litres of milk and today handles more than 800,000 litres daily in peak season. Amul today consists of more than 850 village co-operatives and more than 365 producer-members. It manufactures many dairy products, and provides veterinary and other services to members.

Amul captured the opportunity to serve dairy farmers who had a need, and with their milk, serve the needs of consumers. Amul became a model for replication across India. It was the base for creation of the National Dairy Development Board and for a milk marketing grid that moves milk by

insulated rail tanker up to 2,000 kilometers across India to consumers.

Time does not permit full description of why Amul would be classed a success. I choose to recognize it, though, because it has contributed so much to so many producers and consumers. I also choose to recognize it because the major driving force for Amul and for its replication, and the head of the National Dairy Development Board, Dr. V. Kurien, is this year's recipient of the World Food Prize.\*

We offer our collective congratulations to Dr. Kurien, and to the many who have played a constructive role in this development. May we and may the co-operative movement bask in Dr. Kurien's and Amul's glory.

\*An article on Amul and the national milk grid appeared in the Review of International Co-operation, volume 2/1989.

# Current Priorities for Co-op Banks in France and Europe

by Etienne Pflimlin\*

1992: This much discussed date does not sum up the reality of Europe.

Europe has been on the move ever since the 1957 Treaty of Rome. It has been forming gradually and inexorably. The early 1980s marked the start of the world movement towards deregulation and economic interpenetration. Setting 1992 as a date merely accelerated this process and strengthened the resolve of the decision makers.

We can no longer imagine a non-Europe. Accordingly, we must be prepared to reckon with this new situation, even prior to 1992. For banks, the integrated market has been a reality since 1 October 1989 (authorization to market OPCVMs = Organisme de placement collectif en valeur immobilière = collective investment in real estate) and will become even more tangible on 1 July 1990 when complete freedom of capital flows are authorized.

After this date, some 12,500 financial establishments will be competing for an overall clientele of 324 million.

There is bound to be an increase in competition. Co-operatives will have



to withstand its impact and if they wish to remain competitive, they must continue to develop. In order to do so, they will have to take up the challenges facing them while retaining their identity and differences.

## The European Co-op Banks and their Competitors

### An Economic Force

In the Europe which will become a massive integrated market in 1992, co-operatives and co-operative banks in particular will play a key economic role. In Europe, the co-operative banks have nearly 35 million members. Historically speaking, co-operative organizations have been stronger in northern Europe than in the Mediterranean area. In France, nearly one-half of all bank outlets are co-operatives or mutual societies and attract 30

\* E. Pflimlin is President of the Crédit Mutuel and was elected President of the Assoc. Française des Etablissements de Credit in 1988.

per cent of all deposits. In Holland, Rabobank has a 40 per cent share of deposits. The Crédit Agricole is the largest co-operative bank and the number one European banking group.

### **Challenges of the New European Market**

The first challenge is commercial in nature. Open borders and less stringent regulations make it easier for new competitors to enter the market. Due to the new-found opportunities for expansion into foreign markets, banks will open branches in neighbouring European centres, introducing new services and conditions, and competing with the established national banks.

In this connection, it is important to stress that the different tax regulations existing between countries do not facilitate unification. France is in a particularly unfavourable position in this respect and there is a real danger that the unfavourable tax conditions imposed by the French Government will encourage French citizens to invest their savings in countries offering more favourable fiscal conditions.

Insurance companies, manufacturers and distributors are also branching out into banking activities offering the most lucrative conditions, and large companies are also becoming involved in managing assets which have been replenished by the favourable economic situation in many countries.

In addition to new competitors entering the market, conditions of competition have been turned upside down by changes in customer behaviour and expectations. Today's better informed

banking clients adopt a more rational approach to cash management and take advantage of the new opportunities open to them (for example, a current account in Italy, a loan in the Federal Republic of Germany, a life insurance policy in Great Britain, etc.).

The second challenge is a financial one. There will be stiff competition over differing rates. Declining lending rates and rising deposit rates will soon reach the limit of minimum intermediation costs, shifting the competitive focus to quality.

As far as financial aspects are concerned, European banks, and in particular French and Belgian banks, rely heavily on their intermediation margins which will be reduced by competitive pressures.

These banks must therefore find new sources of earnings and improve their profitability by:

- Developing new activities;
- Invoicing services systematically and accurately;
- Controlling operating and personnel costs.

The second strategy of meeting the financial challenge is to increase capital. The opening of the European market presents an opportunity to introduce new capital adequacy ratios which will provide a sounder basis for transactions. The only way to increase capital is through increased profits and we have seen that this is not easy (European banks, on the whole, are undercapitalized).

Owing to their nature, co-operatives' capital is not open to investors. Consequently, there is a need for new

methods (e.g. co-operative investment certificates, association with a holding company, etc.).

#### **Difficulties:**

- The society must be sufficiently healthy to attract investors;
- Yields must be attractive (these are not dividends).

In this connection, it should also be noted that the joint responsibility of the members will be considered as a component of the capital base. This is the result of the representation and lobbying of the European Community by the Co-operative Banks Group in Brussels aimed at the European Communities.

The third challenge is a technological one. The choices to be made in this area are difficult. They demand an accurate assessment of the society's potential.

- Financial potential with regard to both basic investment and the speedy replacement of rapidly outdated equipment;
- Human potential because technology also affects the distribution of work and leads to staff redeployment. This training and adaptation potential is proportional to the innovations which the company wishes to introduce.

Man must adapt to the new conditions of banking activities and to new customer expectations. He must learn to master the new equipment so as to ensure that the machine always serves man.

## **Mutuality a Future Strength**

Original ideas and practices to counter standardization.

### **Is standardization a threat to co-op banks?**

#### **Products and services**

Savings and credit co-operatives were developed in order to offer services to their members which had previously been reserved for the select, pampered customers of traditional banks.

They introduced products and services which were adapted to the situation: the fight against usury; the first mutual loan was a consumer loan which financed the minimum consumer needs for survival.

Personnel loans did not exist for lack of guarantees and infrastructure, as the large banks were not in a position to supply a large number of small loans.

Today, they have discovered that there is more money to be made "from the subjects than from the King".

Consumer loans have become widespread, i.e. there has been a shift from a demand economy to a supply economy. Usury has disappeared - at least according to the official definition - but rates remain high.

An overall rise in the standard of living has made it possible to accept higher rates.

- *Access to housing:* in all countries, the housing field has been taken over by the authorities, which have set up specialized bodies and introduced general and individual housing sub-

sidies. Today, the bulk of low-cost housing is financed by public funding.

- *The financing of agriculture and small businesses:* farmers enjoy large public subsidies which are no longer set aside for certain categories such as agricultural co-operatives.

Today, small and medium-sized companies find it easier to secure the necessary financing: traditional banks are expanding their activities in this field, since their traditional customers have discovered different networks (disintermediation, efforts to attract savings directly, etc.).

- As far as deposit collection is concerned, for some time co-operative banks have enjoyed exclusive rights to simple products. Today, these are more widely available and must also compete with the "modern" products on the market.

*The effects of size and technology on the organization:* as they develop, savings and credit co-operatives find themselves facing the same problems as traditional establishments:

- Relationship between funds and members;
- Personnel management and motivation;
- Members' participation in the running of their banks, in particular in major urban centres, especially now that "burning issues" have disappeared.

With the increasingly complex nature of operations handled by the co-operatives and the utilization of sophisticated technology, it has become harder

for administrators to fulfil their roles.

The difference in the outlook of workers and board members may lead to a loss of responsibility.

### **The solutions of the savings and credit co-operatives**

#### **Partnership, based on mutual trust**

*Transparency:* fair prices (lending rates, fees), information on the company's development, the consumerist approach.

*Advice which is in members' interest.*

*Training:* this is the traditional role of the co-operative, which aims to disseminate knowledge and skills. Its priority today is to teach its members how to make better use of banking services and manage their budgets.

*Participation in the implementation of joint projects:* community life, culture, etc.

#### **Decentralization and participation of members and administrators**

- Importance of the regional aspect.  
The Europe of tomorrow will be regionally based and there will be a need to develop regional strength and dynamics. Co-operatives have firm roots in their environment and play a key role in regional development.
- The importance of the role of the administrators - trustees of the mutualist ideals and virtues who stimulate contact with the environment and act as a conscience and a force.
- The importance of the members' need to share the same ideal, to carry out

joint projects, and to participate and exercise responsibility.

- The Crédit Mutuel is a centre of economic, social and cultural life and a vehicle of regional development.
- Solidarity can only be effective when it is practised by those who are truly aware of the needs and have the knowledge to find appropriate solutions.

### **The Need for Active Solidarity**

**Combining efforts to meet the challenges of Europe.**

The key to meeting these challenges is closer co-operation between national organizations. This does not neces-

sarily imply the introduction of supranational structures, whose unwieldiness could, on the contrary, hamper imagination and initiative.

This means international co-operation or multinationals depending on affinities and projects. Such alliances to pool equipment and jointly develop new products and services based on skills and experiences.

For example, the Group of Co-operatives of the EEC, Unico (European co-op banks) and LCB (London and Continental Bankers).

Joint efforts can also show solidarity with the lesser privileged countries.



*ICA Director, Bruce Thordarson, greeting Mr. Sastry, Permanent Secretary to the Indian Ministry of Co-operatives. Also in photo Messrs. Agarwal, Chief Executive NCUI (left) and G. K. Sharma, ICA Regional Director (right).*



# An Australian Perspective

## The Challenge of Global Economic Integration

by Ray Ison\*

### One World or None

There is a popular slogan being used by the environmentalists at the moment. It is "One World or None". This is equally true for the world economic community. If nations continue to look inwardly and pretend that activity on the world stage will not affect their prosperity then the economies of such countries are doomed to stagnation and despair for the people they are meant to support. The nations of the world are economically interdependent and it is the relationship that governs this interdependence that is our major concern today.

The traditional mechanism for regulating this relationship has been government - the public sector. Government has proved an abysmal failure as a vehicle for establishing a humane and just relationship between national groups. The carnage of the great wars of this century can be directly attributed to the failure of governments to establish a proper basis for global economic co-operation among nations.

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The continuing inability of governments to forge a sustainable and just relationship in this area has, in the past few decades, been taken advantage of to a large extent by the multinationals of the private sector. Not only have their activities provoked conflict, but their abuse of usury has led to the impoverishment of some nations whose GDP is almost wholly required to service the capital investments of these conglomerates.

### An Alternative to Corporate Feudalism

ICA has been aware, for some time, of the need for national co-operative movements to join together to develop strategies that will offer an alternative to the destructive corporate feudal-

ism being propagated by the multinational system. Delegates need only to refer back to the paper of Professor Lambert of Belgium that was delivered to the 25th ICA Congress in Warsaw in 1972 to remind themselves of the enormity of this problem and the great task we co-operators face.

In the period that has elapsed since the 1972 conference some progress has been made towards establishing an infrastructure that will enhance regional economic integration.

However, little progress has been made in developing strategies for the skillful management of the globalization process - or the way standardized decisions are formulated, refined and implemented. We believe that the activity of trade can be the base vehicle to unite and spearhead international co-operative development. We also feel that the fundamental innovation in our quest for global economic integration must be the development of an international co-operative trading network that aims to enhance the economic strength of each national co-operative sector. As governments withdraw more and more from regulation of trade, the co-operative community must develop a self-regulatory system of its own. The alternative is to capitulate and leave the field free for the multi-nationals.

### **An International Co-op Trade Pact**

The ICA must now assume the mantle of leadership in this self-regulatory process by working towards the formulation of an International Co-operative Trade Pact as a basic standard

for promoting unity within the system.

Already we have an example of such a process working in Asia. The Japan-Indonesia shrimp project has been a wonderful example to us all of how relationships of mutual interest can be successfully developed across national boundaries. Japan has gained access to a desired resource and Indonesia has been able to develop a profitable industry to the benefit of its people.

In my home state of New South Wales we have just successfully formed a co-operative in the egg production and processing industry. The new co-operative represents 80 per cent of our total egg production. This new co-operative is already responsible for the production of some excellent processed foods and the opportunity for joint venture marketing and off-shore licensed processing facilities represents the very model of opportunity that ICA needs to become directly involved in if we are to see the theory develop into a concrete reality.

The Conference and Trade Exhibition in my country next February could well be used as a catalyst for this process.

ICA may well need to organize a world conference dedicated specifically to this problem where action can be taken that will show to the world that the co-operative socio-economic system is one where economic integration can be made to work across national boundaries, without difficulty.

In establishing this trading network we must remember that harmonized

management practices, standardized products and marketing practices are all areas that require careful examination and skillful development.

### **Taking the First Step**

The philosopher Lao Tse reminded us that even the longest journey begins with the first step. We must now make the first step - a few small steps perhaps, a few small exchanges to ensure any problems can be addressed. However, time is running out. Only the co-operative can offer the just path. The struggle will be worthwhile.

Co-operation is the antithesis of conflict. In our struggle for global economic integration we set ultimate goals of creating employment without exploitation; distribution with a sense of responsibility to the consumer; production that allows the farmer a fair return on produce; and capital that does not demand an unreasonable return on investment. These principles must also serve as the corner stone of our trade network.

The leadership of the Australian co-operative sector is committed to global economic co-operation and to the goals I have just outlined.

We feel our goals can best be achieved if firstly we work with other co-operative sectors in the region to help weld together the co-operative communities of Asia.

My country is a multi-cultural society that blends together the distilled cultural experience of every racial group

on earth. We are like a microcosm of humanity. In our struggle for national harmony and progress the Co-operative Movement has been at the forefront and I believe that regional progress and harmony can also be achieved if the Co-operative Movement assumes a role of economic leadership.

Trust is the basis of every successful relationship and trust must be the basis of Co-operation or it will be a hollow thing that will not last.

### **One Co-operative Family**

The cultural demography of Asia has acted in the past as a barrier to trust and, therefore, co-operation. My country has become culturally rich because of what has been brought to it by immigrants from other countries. We have learnt from each other and have enriched each other.

The rich diversity of culture in the Asian region should be its strength, not its weakness. We must learn from each other - we must enrich each other. From the bonding of our cultures we must develop a mutual respect that will give rise to the trust that is the essential foundation of co-operation.

Upon achieving this trust we can progress forward as one Asian co-operative family; just and honest in our dealings with each other and speaking to the rest of the world with one voice; a voice that speaks truthfully and expounds the right of every human being to achieve economic, social and spiritual dignity.

# There Is Only One Challenge

by Ian MacPherson\*

## An Overview

Thinking about Canada and international economic integration demands taking a broad perspective that looks not just at specific trading legislation or even how a new world economic order might affect specific co-operatives in our country. It requires trying to understand how extensive is the economic and social restructuring that is, I believe, transforming Canadian and international life with startling rapidity. And, in that transformation, the roles of co-operatives are fundamental, partly because of their size, but even more because of what they have come to represent to those who care about them.

Canada is a country that until recently enjoyed continuous prosperity for over 40 years. Our immense resources, geographic position, historic relationships and trading capabilities gave us advantages two generations took for granted. With some exceptions, co-operatives shared in that prosperity. Among our rural co-operatives, steadily-improving efficiency, sound management and orderly marketing systems allowed a high percentage of our farm family members to remain on their land; a substantial number even prospered amid the gradually rising



costs, technological changes, and uncertain markets of their industries. Credit unions, originally concerned primarily with low income Canadians, expanded geographically into urban areas and socially into the middle class by meeting needs, particularly in lending, poorly served by our established banks. Indeed, in many Canadian regions, credit unions and 'caisses populaires' became our strongest regional financial institutions, carefully protected and encouraged by most of our provincial governments. In some of our regions, too, consumer co-operatives became important correctives to the retail consumer trade and, in western Canada, within the petroleum industry. In our cities, largely through government assistance, housing co-operatives became important vehicles for solving the housing crises that

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cyclically affect our most rapidly-growing urban areas.

Thus, while co-operatives seldom utilized their potential political power effectively and were never fully integrated into the economic power structures of Canada, they nevertheless worked out accommodations with the existing economic order, and they generally prospered as a result. Indeed, it can be argued that they became too satisfied with the status quo, and too prone to become mirror images of their competition.

### **Uncertain Times**

Suddenly, during this decade, our rather comfortable world has changed. In the countryside, farm family members experienced a drastic cost price squeeze fuelled by high interest rates and declining international commodity markets. Credit unions were similarly caught, if temporarily, in a bad financial squeeze and in many areas of Canada suffered severely because they had not created adequate reserves. Many consumer co-operatives went through difficult times, and their weak capacity to serve urban Canada was reduced even further in most parts of the country. While existing housing co-operatives generally flourished, the capacity of the movement to expand declined sharply, the victim of reductions in federal grants for social housing and changing government priorities at both the federal and provincial levels.

And yet, these changes, startling and difficult as they have been, may be but the beginning. At no other time in our history, as a nation, except possibly the 1860s when the uncertainties, pres-

ures and opportunities forced our Confederation, has there been so much uncertainty over basic national directions. Given the large role co-operatives play in Canada, they are a part of that uncertainty, and they too must try to understand what their role can be. Indeed, they have no choice but to adjust to the changes, or they will have no role at all.

### **Changing Economic Order**

Some of the changes are so obvious that we instinctively and easily recognize them. We know that the communication revolution has made the generation of information so complete and rapid that international banking has been transformed. Investors and banking interests are rushing at a previously unthought of rate toward global integration. They operate almost independently of governmental control, and they shape the destiny of us all. Similarly, the communication revolution, enhanced managerial skills, and the unleashing of Asian capabilities, have forged a changed economic world order featured by extensive integration among financial, industrial, and marketing businesses, a degree of integration unheard of previously, even in the age of "trust busting" a century ago. We know, too, that Europe has changed: World War II is long past, most European nations are prosperous, and the more complete integration of 1992 promises a resurgence of power and influence reminiscent of the rise of Europe in the eighteenth and nineteenth centuries. All of these changes alter the circumstances in which our co-operatives have developed and flourished.

### **Canada's Response**

Our national response to these changes has been essentially threefold. First, in reaction to the rise of Asian countries and the unification of Europe, we have opted for closer integration into the American economy. This option, politically impossible over many generations previously, was consummated, amid considerable political uneasiness, by the signing of a Free Trade Pact with the United States on 1 January 1989. I want to emphasize, however, that the Pact is not an isolated event; it is part of a much broader and more extensive integration with the United States, economically, socially and, ultimately perhaps, politically. Second, and somewhat contradictorily, Canadians have sought to utilize their Pacific option by devoting more attention to trade with Asian countries. Third, many Canadians have begun to question the economic programmes concerned with regional inequalities and the social contract built on the welfare state, policies that have been fundamental to Canadian political life for the last 40 years. In this challenging of our political structures, co-operatives will be affected because they are strongest in our less prosperous, more economically volatile regions, and their value systems have been intertwined with Canadian concerns with social justice.

### **Effects on Co-operatives**

There are also some very specific ways in which co-operatives have been and are being affected by the changing economic order, particularly the Free Trade Pact with the United States. Our farm marketing co-operatives have

been the most obviously affected. While some producers - most obviously red meat producers - will benefit at least in the short run, many others clearly will not. Grape growers on the west coast, grain growers in the marketing of oats, milk producers across Canada, and poultry producers in some regions have already lost some of the protection they previously enjoyed in their supply marketing systems.

Within the financial sector, the future is at best uncertain. Our credit unions have been guardedly positive about the economic changes, believing that they will make banking cheaper for Canadians and will ultimately make it easier for credit unions to convince governments that they should be allowed to offer a wider range of services to their members. The risks, though, should not be easily dismissed. Major banking groups, built up through transnational associations, may well decide to become more aggressive in the Canadian market, may well be allowed to do so by a government committed to open market policies, and may in fact gain special privileges in doing so as American Express arguably did so recently. It may be, that some time in the future, the credit union system will regret having spurned the conventional Canadian folk wisdom that one should beware of inviting elephants in to dance with mice to the tune of "it's everyone for himself".

Within the co-operative insurance sector, an international perspective has already been well established through the International Co-operative Insurance Federation and through a long-

standing association with the international Credit Union Movement. The challenges, however, are immense. As different kinds of companies enter into the insurance business because of the break-down in barriers among different kinds of financial institutions and as alliances are formed among different insuring groups around the world, the future competition promises to be very intense, especially for companies like ours that try to serve people in all kinds of risk areas.

### **Nine Possible Answers**

Given this range of problem what can the Canadian Co-operative Movement do? I can think of nine answers.

1. More than in the past, we will have to start thinking globally. For many in our Co-operative Movement, this will be a departure from the past because our focus has nearly always been on the local or, at most, regional level. Indeed, some of this enlarged perspective is already evident, for example, within the grain-marketing co-operatives, through their subsidiary X-Can Grain which has become particularly aggressive in the Pacific Rim. Much more will have to be done, perhaps no more obviously than in our credit union sector. The global integration of financial industries is proceeding at such a fast rate that, if credit unions in Canada and elsewhere do not at least start to lay the foundations for a strong international co-operative financial system, they will ultimately find the costs prohibitive.

2. We must start to seek out our friends. As more and more power becomes concentrated in fewer hands,

co-operatives in the future will have fewer options. They also have an historic obligation, which perhaps they can only now try to meet, of providing a clear alternative to, and a means of measuring, other forms of economic and social organization. Fortunately, there are many possibilities, many more than there were even two years ago. The rapid development of the co-operative movement in the centrally-planned countries offers many opportunities. Many countries in the developing world are quickly reaching the level where trade and joint ventures are possible.

3. We must develop more joint projects and expand our trade with co-operatives in other countries. The Free Trade Pact, in this respect, represents an opportunity because it should allow us to expand our relationship with American co-operatives. Outside North America, the economic restructuring of the centrally-planned economies in Europe and Asia should present us with a wide range of opportunities. The rapid development of co-operatives in the developing countries of the world should mean that more mutually-beneficial trade should be possible. And, in our aid programmes, we should be emphasizing more projects that in the end will create strong, independent co-operatives that will become major trading partners in the future.

4. At the same time, we must strive to strengthen our co-operatives without sacrificing our democratic structures. If we are not strong, we will not be able to withstand the competition in the international arena where fail-

ure is common. We have started to address the issue of capitalization by taking a position on the nature of co-operative capital. But we need to actually start raising the capital many of our co-operatives will require if they are to become internationally successful. We also need to address constantly the issue of how we are organized - at the local, regional and national levels - to make sure that we are as efficient and co-ordinated as possible. We have recently restructured our national organizations in order hopefully to make them more effective. We must be equally ready to see if our commercial organizations are structured in the most efficient way possible.

5. We must mobilize our resources more effectively. Engaging significantly in international trade - in, for example, the food processing industries, manufacturing, and financial initiatives - will mean pooling resources within and across co-operatives. Doing so will not be easy because of some bad experiences we have had in the not too distant past. It will mean developing the capacity to negotiate tough but fair partnerships with co-operatives in other countries; it will mean, when appropriate, joint projects with private companies; it will mean calling on government assistance when appropriate and possible.

6. We must consistently recognize the distinctiveness and strengths of our management systems - our teams of elected directors and employed managers. I detect a loss of confidence in our management systems. In part, this is because in our society every-

where one turns - to our newspapers, our television, our radio, our popular magazines, even the audio on our airplanes - one finds laudatory information about the "happy" manager, the excellent manager, the two minute manager, the perfect manager as he (hardly ever she) must surely exist in heaven - and they are all managers of private companies. We need to borrow what may be useful from this cult of the manager, but, if we are to be effective at home and abroad, we must also cultivate a better understanding of our own managerial excellence and how it can be encouraged.

7. We must do a better job of developing an understanding of the scope and possibilities of the international movement among our members and staff. We have done, I think, as good a job as possible in informing them about our development assistance programmes, but we must do more to present a challenging vision of what is possible through the international movement. There are, I think, very attractive features to a vision that combines local control with increasing international influence. Inevitably, in the not too distant future, the power of the transnational corporations will stimulate a search for alternative forms of control, and we should all benefit when that occurs.

8. We must all become more aggressive in working with governments. We have developed a better structure for relations with our federal government in recent years, and we are gradually becoming as a movement more effective in dealing with provincial governments, but we are not as so-



phisticated as we could be. In particular, co-operatives must become integral components in the development of our provincial and national trade policies. Given our size, we have the right to be involved in the development of those policies. We have the right to be involved in the search for overseas markets to an extent commensurate with our diverse and significant strength in Canada.

9. We too must address the issue of values. The best way to deal with fundamental changes, after all, is to make sure you know who you are, what you want to do, and how you want to do it. Doing so will not be easy in a society such as ours with its heavy domination by the private enterprize ethic. It will be difficult, too, because it will require us to assess ourselves. As many of our organizations have grown larger and become somewhat submerged in the private enterprize culture, they have lost much of their distinctiveness. Too often, we project an image that is only different from privately-owned companies because of an apparently higher concern for service and a stronger commitment to local interests. Such values, while important, do not in themselves create enthusiasm or ensure a meaning-

ful future. We must examine the "big picture" and try to understand how we can help create a better society in Canada and throughout the world. If we do not, there is no particular reason why we deserve to continue to survive.

### **Rising to the Challenge**

There is, of course, nothing particularly startling or new in this approach. Thinking globally, searching out friends, participating in joint initiatives with other co-operatives, increasing efficiency, accumulating capital, cultivating better and distinctive management systems, encouraging an international vision among our members, becoming more aggressive with our governments, and thinking about our value systems - most of these injunctions are as old as the movement itself. I firmly believe, however, that adhering to them will unleash the full creativity, flexibility, and confidence of co-operative enterprize. The challenge, therefore, is not the Free Trade Pact; it is not even the altered international order. The challenge is within ourselves; it is ultimately whether we have the vision, the confidence, and the discipline to enter more aggressively into the world or wait until it overwhelms us.

# CENTROSOYUS Experience

## Problems of Global Economic Integration

### East West Economic Co-operation

by P. Fedirko\*

I would like to share through this article the experience of CENTROSOYUS in promoting economic co-operation between East and West and to tell you briefly about our achievements, problems and prospects in this field.

International economic ties are an important component of the multifarious activities of the Soviet consumer co-operatives. Co-operatives have engaged in foreign trade in this country since their inception. In the early 1920s, CENTROSOYUS became the first organization in Soviet Russia to enter the international market by signing a series of major deals with European companies. The New Economic Policy (NEP) pursued by Lenin, plus the convertibility of the rouble, created prerequisites for the development of economic integration between East and West.

Unfortunately, in the years that followed, our country departed from that course and many initiatives of the first decades of Soviet Government were abandoned.

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Despite rigid control and tutelage on the part of the government bodies, the foreign trade activity of CENTROSOYUS continued to develop and now amounts to an impressive 3.5 billion rubles annually. The list of our partners comprises 200 co-operative organizations and companies from 40 countries.

Many of you will know that the role of co-operatives has grown substantially in the conditions of perestroika, or restructuring, in the USSR. It is no exaggeration to say that co-operatives are at the focus of public attention. The flexibility and effectiveness of co-operatives in dealing with vital social problems fully correspond to the ultimate goals of the reform taking place in the Soviet economy.

The recently adopted Law on Co-operation and the resolutions of the Council of Ministers on improving foreign economic activity, have opened up new opportunities for consumer co-operatives to be engaged in the process of economic integration and have prompted the development of new forms of international economic ties.

In addition to the traditional goods exchange operations, CENTROSOYUS has direct trade and production ties, and is working to set up joint ventures, including commercial and joint stock societies. It also independently imports technological equipment for its membership societies. Last but not least, it is entering the sphere of international tourism and the hotel business.

Another current feature is our policy of decentralizing foreign economic operations. Today, 15 Republican co-operative unions and 178 co-operative unions in the regions and districts which are affiliated with CENTROSOYUS have been allowed to engage in trade with foreign partners independently. This has made it possible for 180 co-operative organizations in the USSR to use new forms of integration, to establish direct exchanges with the counterparts in the Community of Mutual Economic Assistance (CMEA). This measure makes it possible to use the available resources of goods more effectively, to extend the range of goods and markedly increase the volume of trade.

During the past two years CENTROSOYUS has been working actively to

set up joint ventures with co-operative organizations and companies abroad. The chief aim in creating the joint ventures is to manufacture competitive goods and export them to earn hard currency, to meet the demand for certain types of consumer goods and foodstuffs, to cut imports, and to gain experience in organizing and running production.

The procedure of establishing joint ventures has been drastically simplified. There is no need to get clearance from the Council of Ministers of the USSR and the Gosplan (State Planning Committee). The final decision rests with CENTROSOYUS and all that is necessary is a formal registration of the new enterprise at the Finance Ministry's Tax Department.

Newly-established joint ventures are exempt from paying taxes in the first two years and, subsequently, the tax is under 30 per cent of the profit. However, if the enterprise is particularly successful and useful, the tax can be reduced or cancelled altogether.

At present CENTROSOYUS operates 9 joint ventures and, before this year is out, it plans to set up 20-25 enterprises with branches in the USSR and abroad.

On the whole our experience so far shows that, in spite of tougher competition in the manufactured goods market, joint ventures with foreign capital provide the most effective form of co-operation as they make it possible for the partners to share the joint risk, stimulating more active efforts to seek greater profitability and apply new science. We hope this area in our foreign economic activity will get a

boost from the recent decisions of the Soviet Government to create free economic zones in the USSR. The following year we will see the creation of the first such zones of free enterprise in the regions of Vyborg, Novgorod and Nakhodka.

I hope this information will interest those co-operative businessmen who seek to have broader mutually-beneficial economic co-operation with CENTROSOYUS.

We are, of course, aware that our achievements in the field of international economic integration do not match the scope of CENTROSOYUS activity and its role in the domestic market. However, there are some objective obstacles which hold back progress in the field. Let me mention some of them.

Firstly, the non-convertibility of the national currency is a problem for the whole nation which cannot be solved overnight. The creation of free economic zones accelerate progress towards that end.

The second problem is the inadequate export potential of co-operative industry, which is geared primarily to the internal market. While we have vast resources of raw materials, the quality of processing, packaging and storage, leaves much to be desired. This is a major challenge for CENTROSOYUS and we hope to be able to meet it through additional investment and modernization and by providing greater incentives for the enterprises to produce for export. Joint ventures involving foreign investment and

advanced technology are to play an important role in this. Personnel is another serious problem. With the decentralization of foreign economic activity, the need has arisen for a large number of experts in international business management, marketing and related specialties. Knowing that it cannot quickly solve this problem by itself, CENTROSOYUS draws on the experience of foreign co-operative organizations. The outlook is good for collaboration with the co-operative alliances in Sweden, Austria and France in the training of skilled personnel.

I would also like to dwell briefly on a problem that has cropped up recently. I am referring to the clash of interests in the external market between the government sector, the traditional co-operatives as represented by CENTROSOYUS, and the so-called "New Co-operatives". Today, practically all government and co-operative organizations and enterprises in our country have been granted the right to carry out export and import operations, which dramatically sharpened competition in the internal market of raw materials. The government sector responded to the challenge by toughening its licensing policies. The "New Co-operatives", for their part, inspired by the unprecedented new freedom and ignoring the accepted norms of international trade, have joined the race for convertible hard currency.

This naturally affects the export opportunities of CENTROSOYUS, but, on the other hand, the toughening of internal competition makes us work

more imaginatively and flexibly and look for new forms of foreign economic co-operation.

Our aim is not only to exchange experience, but also to see to what extent the International Co-operative Alliance can contribute to economic integration among all its member organizations.

In assessing the role of the ICA, we look to the Alliance's specialized committees whose activity has similarities to the challenges currently confronting CENTROSOYUS. In promoting co-operative foreign tourism and services in the USSR, the ICA's Committee on Tourism could play a certain part. In co-operative banking, the sphere to which CENTROSOYUS is now addressing itself, exchanges and advice of the ICA Banking Committee could be very useful. We are also interested in closer co-operation with the Alliance's Consumer Committee and INTERCOOP.

Mention should be made of the role of the ICA regional bodies in promoting economic co-operation among co-operatives. This year CENTROSOYUS has joined the ICA Regional Council for Asia, which has caused some surprise and even doubt about the true motives of this move. The main aim of our entry is obvious: it is to promote good-neighbourly collaboration with co-operatives in the Asia-Pacific Region. We hope to enjoy effective assistance on the part of the ICA regional office headquartered in the Indian capital.

Today, we are open more than ever before to broad, many-sided co-operation, to promoting genuine economic collaboration between the co-operatives of East and West. We are, however, convinced that integration is a two-way street and we hope that our foreign friends and partners will make their contribution to this end.

# Agricultural Co-ops in S-E Asia

by Dr. S.S. Puri\*

## A Personal Viewpoint . . .

### A Vast Subject

Even though in many ways I have been connected with co-operatives for many years, both in India and Sri Lanka, I am not really a professional co-operator. Barring a very short spell when - by an accident of postings - I was appointed as the Chief Executive of the National Co-operative Union of India for about one year, I have held no office among the numerous co-operatives of India and my connection has been largely that of a bureaucrat concerned with co-operative promotion, co-operative development, etc, both at the national and international levels. Therefore, I must stress that this article does not in any way represent official views, either of the Government of India, of which I was Permanent Secretary for some period, or of the FAO, of which I was the Assistant Director General until very recently. These are essentially my personal views.

I do not think that one can do justice to a very large subject like co-operatives in Asia so I intend to introduce two limitations to the subject. I propose to confine this article, for reasons of my own personal knowledge, to essen-



tially what would be called South Asia, South-East Asia and East Asia. That means to more than 25 countries, representing nearly half the population of the world.

Secondly, I would restrict myself to what one would popularly call agricultural co-operatives, which constitute about two thirds of the total number of co-operatives in this region. In this part of the world, the Co-operative Movement is essentially an agricultural co-operative movement and, therefore, I offer no particular apologies for restricting myself to presenting a review of agricultural co-operatives in Asia, in the restricted sense of South Asia, South-East Asia and East Asia.

### The Best and the Worst

In ICA's interesting publication "ICA in Asia", one of the earliest co-opera-

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tors, an Indian delegate to the ICA's 6th Congress in Budapest in 1906, reporting on the co-operatives in India and Asia, made a very interesting remark. He said "There is a great deal of skepticism about the co-operative idea which has been introduced into the tropical and sub-tropical soil of Asia. There is skepticism whether this idea will germinate." Well, I think, quantitatively speaking, if this gentleman were alive today he would be quite overwhelmed that there has been tremendous germination of this idea in terms of sheer numbers. The total number of co-operatives in Asia is gradually approaching one million, of which about 500,000 are agricultural co-operatives. This indicates that the idea which was planted here somewhere in the beginning of the 20th Century has germinated. Perhaps it has produced more weeds than it has produced plants, but the fact still remains that in sheer numbers it is a very large movement. Of these 500,000 co-operatives, India has roughly around 150,000, China another 150,000, Bangladesh around 100,000 and the rest of the countries between them another 100,000 co-operatives.

These societies deal with a variety of functions - credit, marketing, processing, supply of inputs, dairying, livestock, fisheries, forestry and so on. Therefore, the range is very wide and the number and membership is very large. If I turn now to some qualitative aspects, I would like to begin by saying that some of the best agricultural co-operatives in the world are to be found in Asia. I would also hasten to add that perhaps some of the worst

agricultural co-operatives of the world are also to be found in Asia. Unfortunately the average, or typical co-operative in Asia is not as good as in the rest of the world. In other words, it is a highly heterogeneous, uneven situation that one finds in this region.

Among the different countries there are differing attitudes towards co-operatives or the commitment towards co-operative development. When I was with FAO, I happened to visit the Philippines. The former President, Marcos, was alive at that time and I called on him. In the course of the conversation, he remarked "I brought up the subject of co-operatives because that is one of my favourite subjects", and he mentioned that in the Philippines a co-operative is defined as a venture doomed to failure. So he was not quite willing to look at the need for co-operative development, etc. I believe a number of co-operatives were wound up during this period, a number of pre-co-operatives were introduced, etc., but I am very happy that in the post-Marcos period, a good deal of new developments are taking place.

On the other hand, if I may mention the other extreme, when I was still in India's Planning Commission as its Permanent Secretary, we had some fundamentalists who were believers in Co-operation and who said that economic development in India must take place, but the achievement of India will not be measured by the extent to which economic development takes place but it will also be measured by the extent to which it takes place.

through a co-operative form of organization. In other words, they were willing to place economic development and co-operative development in the planning strategy almost on an equal footing. This was the other extreme position taken within Asia. And then, of course, we have a variety of views from one country to another.

Among the co-operatives in this large region of Asia, the level of development and the level of penetration into agricultural households, rural areas, differs a great deal. I believe that in Japan, perhaps about 100 per cent of farming households are members of co-operatives. In Korea, the membership is almost universal. Practically 100 per cent of the farming families are members. On the other hand, in some countries the penetration is as little as 10 per cent. Perhaps the number of farming households who are even nominally connected with co-operatives is as little as 5 per cent, 10 per cent, and so on. But the average for Asia as a whole is pretty high, around 40-50 per cent.

### **Uniforms Without Soldiers**

Unfortunately, a great deal of this membership of agricultural co-operatives is essentially a nominal membership. I recall an historian of the co-operative movement in Asia mentioning, in a very pertinent manner, that co-operatives in Asia are very impressive in numbers. He was referring to the war history in China where they say that the famous army of Chiang Kai-shek was a very impressive army, but it was an army of uniforms, with very few soldiers inside them. Now the Co-operative Movement in Asia

sometimes gives me the impression of being a very large army of uniforms without any soldiers. Now the soldiers can be co-operative managers, co-operative leaders, co-operative members, etc., etc., but the degree of effectiveness, the degree of activity, is not quite commensurate with the numbers. The membership is very large, the number of institutions is very large, and, as I said earlier, individual co-operatives here and there are outstanding. Some of the best co-operatives in the world are to be found here; some of the worst co-operatives in the world are also to be found here, but unfortunately the average, the standard situation, the typical situation, is not very promising or encouraging.

### **A Promising Record**

The potential for development of agricultural co-operatives is very intimately linked with the potential for agricultural development in Asia. Agricultural development in Asia, over the last two or three decades, has been a very considerable success story. I recall that some years ago the wise men in FAO, in the World Bank, etc., were prone to think that the region that would do the best in agriculture would be Africa, the second best would be Latin America, and Asia was supposed to be a poor third. This was, for instance if you see, FAO's earlier forecast for all agriculture towards the year 2000. That was the judgement somewhere in the middle of the 60s or the early 70s. Fortunately, I think these assessments have turned out to be wrong. Asia, on the whole, has performed very well. In fact, the growth



of cereal production in Asia has been running at an average annual compound growth rate of around 3.5 per cent and agricultural commodities as a whole around 4 per cent.

Asia, on the whole, has also done remarkably well in decelerating its population. With some exceptions - I think Bangladesh, Pakistan, a few countries, have still to tackle their population problem - but most other countries have done fairly well. In fact, the population growth rate which, in Asia, was running about 15 years ago around 3.3 per cent is now down to 1.9 per cent. With population running around 1.9 per cent, and agricultural growth running around 4 per cent, there is a comfortable margin between the rate of growth of the population and the rate of growth of agriculture. In fact, the agricultural growth rate is roughly double that of the population growth and this accounts for the somewhat comfortable agricultural situation that you see in Asia in terms of food self-sufficiency, food stocks, food marketing policies, food security in general, etc., etc.

### **Asia's Challenge**

Two major agricultural features in this region have a bearing on the potential of future developments of agricultural co-operatives in Asia. Firstly, while this region has super abundance of population - as they say, Asia has roughly about 50 per cent of the world's population - Asia's share in total agricultural population is much higher. It is around 73 per cent. In other words, about 73 per cent of the farming families of the world live in Asia. But their share of agricultural land is only a

miserable figure of around 26 per cent. In other words, 73 per cent of the farming families of the world who live in Asia have access to land which is only about one fourth, or so, of the world's agricultural land. So per capita availability of land in this region, in this continent, is very small. In fact, the average holding in most countries of Asia is around one hectare, or even below. This represents an absolute scarcity of land accompanied by a tremendously uneven distribution of land among the various farming households. In India, for instance, the small and marginal holding, that is holdings of one hectare and below, which represent roughly 73 per cent of the total holdings, account for only about 25 per cent of the agricultural land. In other words, the total land is small but, within that total land area, the share of small and marginal farmers is still smaller. Significantly smaller.

And therefore, this region of Asia in some ways presents a number of paradoxes. It is a region which is witnessing a very fast rate of growth. Economic growth, for instance, in the last decade or so has been running over 6 per cent in many countries. Considering that the population is growing around less than 2 per cent, a per capita income growth of around 4 per cent to 4 1/2 per cent has been visible in several countries. In Thailand, a growth rate of around 9 to 10 per cent has been reported.

Fast economic growth has been accompanied by degenerating income distribution. This is particularly so between the agricultural sector and the non-agricultural sector. There has

also been some decline in the share of the agricultural sector in the total labour force. But the decline of the agricultural sector's share of total GDP has been dramatic. For instance, if you take a country like Thailand, the total share of the agricultural sector in the labour force has come down from about 80 per cent to around 66 per cent. But the total share of GDP in the agricultural sector has decreased from 32 per cent to 16 per cent. In other words, the agricultural sector is unable to maintain any kind of viable parity with the non-agricultural sector. Most of the income is accruing to the services sector, to the manufacturing sector, to the trade sector, to the banking sector, and so on, and not to the primary producers. And this, to my mind, presents a serious challenge to the co-operative form of organization.

Co-operatives were designed, and here I recall the Preamble to the Co-operative Society's legislation, in India, Sri Lanka and many other countries, as institutions designed to enable persons of limited means to promote thrift, self-help and economic prosperity. The number of persons of limited means is still very large. It runs into millions of people in this region despite all the progress that one sees in terms of aggregate quantitative numbers. And therefore, the challenge before co-operatives in Asia is still very large. It is a challenge to make these small producers, farmers, and rural artisans economically viable.

### **Technology**

There are about three or four major tasks that I see for future develop-

ment. The first major task is what, in the UN jargon, is called TCDC, technical co-operation among the developing countries in the agricultural sector. Despite the many failures of the co-operative movement in Asia, there are a number of very outstanding success stories and, in my view, they need to be documented, they need to be studied, and then this information made available to others for effective utilization. TCDC, of course, refers to technology transfer but, in my view, institution building, like co-operative development, is also a technology of its own kind. It is a technology of how to organize individuals, how to enable them to come together, and how to enable them to prosper together. Therefore, I would say that the first task which awaits ICA at the regional level is the promotion of TCDC among the agricultural co-operatives of Asia.

### **Co-op and National Policy**

The second task is to equip co-operatives so they can provide governments with advice and inputs into macro-economic policy formulation, particularly in the agricultural sector. It is a great pity that co-operatives, on the whole, even when they have done well, have remained preoccupied with the nitty-gritty of their own organization and their own operations and have generally left it to others - the public sector or private sector - to assist governments in formulating policies. For instance, it is only in Japan that the Central Union of Agricultural Co-operatives has been active in agricultural policy-making; to a lesser extent, this has also been the case in

Korea, but generally speaking, co-operatives have left policy-making to others and only after policy has been made, have they reacted. Co-operatives must get involved in this region. Agricultural co-operatives in Asia must equip themselves to assist in policy formulation, so that the role of their constituents is suitably safeguarded.

I was somewhat disappointed that there was very little response from co-operatives from Asia on the item "Challenges of Global Economic Integration". Surely co-operatives in Asia have some views on this subject. The only significant set of observations came from Australia which is, of course, not really part of Asia, but part of the Asia-Pacific region.

### **Integration or Aggression?**

With the risk of sounding too controversial, I must say that the term "economic integration" is a sugar-coated phrase like what we used to be told in India when the Britishers came and captured the whole of India, politically. It was called political conquest. They had not heard the phrase integration, otherwise they would probably have said that India was getting politically integrated with Great Britain. Now, the fact of the matter remains that global economic integration poses a great threat to small agricultural co-operatives all over Asia. In Thailand I was concerned with promotion of small dairy co-operatives which FAO played a role in promoting. The total turnover of these co-operatives is about 10,000 tons of milk, which is very small by international standards. And yet they were finding it very difficult to sell this milk

because of the tremendous quantities of concessional milk powder coming from the EEC. And it was only when the Government of Thailand finally intervened and ruled that the importers had to match one ton of imported items with the purchase of one ton of locally-produced milk that co-operatives in the region were able to breathe a little, though still not survive in an effective manner.

Asian co-operatives have to sit up and take note of what I would call strong trends towards "global economic aggression". Practically speaking, there is very little movement towards integration in Asia. I do not see any economic integration developing in SARC (South Asian Regional Countries). ASEAN countries (Association of South East Asian nations) have talked a great deal about economic integration but very little has happened, and in Australia and the Pacific, as far as I know, SPC (South Pacific Countries) and other bodies so far have not succeeded in bringing about anything like a meaningful economic or trade integration among the countries of the region. Individual countries of Asia are still operating on their own and, therefore, they will have to sit up and deal with this problem, and co-operatives should also play a role.

### **Co-ops Against Exploitation**

Another task is the orientation of co-operatives in weaker sections. In a recent report of the Indian ministry, there are sections dealing with credit co-operatives, marketing co-operatives, processing co-operatives, etc. And there a special section called "Co-operatives for Weaker Sections". I am

amazed that the Government has a separate category for "Co-operatives for Weaker Sections". I thought the co-operatives were meant only for weaker sections.

This is where I think a certain amount of fuzziness is beginning to emerge in co-operative ideology. If co-operatives lose their ideological moorings, I am afraid they will become at best another corporate form of organization, probably not materially different from other companies. Article 1 of ICA's original Constitution says that the objective of this body is "to substitute for the profit-making régime, a co-operative system organized in the interests of the whole community and based upon mutual self-help."

Now, if that is so, one cannot go along with the proposition that middlemen as users have as much a role as any primary producers. If moneylenders come together and set up a co-operative bank, will ICA recognize it as a co-operative institution? "User orientation" is not a synonym for Co-operation. You can be a user as a contractor in a construction company and totally keep out all the labour working for you. If several contractors join together to set up a co-operative construction company, will that be a genuine co-operative institution? When middlemen come together, it is at best, in my view, a combination of middlemen and not a co-operative form of organization.

I think one has to give some revitalization of this whole business of co-operative ideology, and co-operatives should not open their membership to

all persons without any discrimination. I think co-operatives need to discriminate between persons who are primary producers, primary consumers, primary workers, as against those who are essentially exploiters.

The only accurate definition of the word "co-operator" is probably to be found in the by-laws of the Jewish General Co-operative Association in Israel, where "co-operator" is beautifully defined as: "A co-operator is an adult person of certain age, of sound mind.." (which I suppose are very desirable qualifications in all co-operators) but then it goes on to say "but he must be a person who does not live off the labours of another human being". I thought that was a very unique and a very profound definition which says he must be essentially a non-exploiter. If co-operators who are essentially exploiters come together and form co-operative institutions, then I am afraid, in terms of social orientation, co-operatives have nothing to commend themselves.

### **Democratic Control or Democratic Management**

Yet another task is the development of a strong management culture among co-operatives in Asia. I know this is a very controversial subject but, as far as I can see, in Asia, with the exception of the Japanese and to a lesser extent the Koreans, co-operatives are still operating in the same manner as at the beginning of the 20th Century. In the 20th Century, when the small unlimited liability co-operatives were started, the by-laws provided for what

was called committee of management. In other words, a chairman, vice-chairman, and managing committee were elected and managed the co-operative society with some kind of an honorary secretary.

This was, perhaps, an understandable situation 70, 80 or 90 years ago. But I am afraid now, towards the close of the 20th Century, this kind of philosophy where, in the name of co-operative principles, you have non-professional management running co-operatives instead of professional managers, is no longer viable. The co-operative principles use the wording democratic control not democratic management.

Management, by definition, is undemocratic. I am quoting the famous economist Professor Galbraith, where he said "all modern management is basically authoritarian in character". Decisions have to be made and they cannot be made by raising hands and by voting. Decisions are professionally made on the basis of techno-economic considerations, and I can sympathize with the Central Committee delegate from Canada, who referred to the happy manager as always being from the private sector. I can well imagine that the most unhappy managers are those from the co-operative sector, and the reason is quite simple - the so-called co-operative leaders are continuously breathing down their necks. Now you cannot have an effective operation on that kind of basis.

When I was India's Ambassador to the EEC, whenever I had dialogues with the EEC Commission, they used to have behind them the representa-

tives of the Member Governments, and the EEC Commissioners used to call them the Mother-in-Law Committee. The Commissioners were facing us, they were having dialogue with us, but continuously they would turn and say "Can we adjourn? We want to have a consultations with our mothers-in-law?" Now, you cannot have co-operative management effectively if continuously the management has to turn round and have a dialogue with its mother-in-law, namely the Management Committee, or as it is now called, the Board of Directors.

The change in nomenclature has taken place in many co-operatives, but I am afraid the spirit, the attitude, the philosophy, still remains the same. Namely the Board of Directors wanting to manage the co-operatives. I plead strongly that this attitude must change and this will also help in enabling co-operatives of Asia to have a more viable relationship with their governments. The governments in Asia are prone to be, if I may say so, highly interfering, partly because they find in co-operatives a total vacuum, where there is no equilibrium between co-operative managers on the one hand and government bureaucrats on the other. As you know, a vacuum is always abhorred by nature, and somebody is always trying to fill it up. But, if co-operatives have excellent managers, I think governments sooner or later will develop some degree of respect, some degree of admiration for co-operatives and will look forward to co-operatives as equal partners and will incorporate their advice and their inputs into policy-making.

### **An Optimistic Forecast**

I want to conclude by mentioning one very broad observation about the past and future of co-operatives in Asia which was made by a lady co-operator who came to India about 10-15 years ago to survey co-operatives in Asia. She said "Co-operatives in this country have not worked the miracle its original sponsors hoped for, however, co-operation has taken its place among the constructive forces work-

ing for economic generation. In the light of the history of the Co-operative Movement, one's attitude towards it can be one of optimism."

She spoke about India but her remarks could apply to the whole Asian continent. On an optimistic note, I feel that although co-operatives may have had their problems and their failures, there is a great deal of pregnant possibilities for future development.

### *A Conference is ...*



*... Study in g ...*



*... Listening ...*



*... A democracy at work ...*

*Cont/d on page 61*

# The Role of Co-ops in the Development of the Asian Economy

by Arcadio S. Lozada\* and Manuel F. Verzosa\*\*



## Introduction

This article aims to present a fresh look at co-operatives and their role in economic development, particularly in Asia. This is a formidable task as it concerns co-operatives in the continent of Asia with its 3 billion people in 21 countries, its diversity of races, cultures, creeds, religions, politics and its different levels of development. Drawn up on the basis of existing reports and documents available to ICA members as well as documents and reports of other international bodies, the text merely skims the sur-

face. Nevertheless, it seeks to present fresh insights into the subject and inspire desirable, practicable, and pragmatic courses of action by the national and international co-operatives movements in Asia.

## What Co-operatives Are

The International Co-operative Alliance (ICA) defines the term "Co-operative" in Article 8 of the ICA Rules and Standing Orders, as amended by the 28th International Co-operative Congress in Hamburg, October 1984, as follows:

"Any association of persons, or of societies, shall be recognized as a co-operative society provided it has for its object the economic and social betterment of its members by means of the exploitation of an enterprise, based on mutual aid, and that it conforms to the Co-operative

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This article is based on the conclusions of the ICA Regional Consultation on the Role of Government in the Promotion of Co-operatives in Asia (Singapore, 4-7 June 1988).



chdale Pioneers and as reformulated by the 23rd Congress of ICA."

Co-operatives are not only economic but also social organizations with a sound philosophical base. The ultimate aim or vision of co-operatives transcends the mere satisfaction of the common immediate economic needs of the members.

Co-operatives reflect the hierarchy of needs and values of every human being, progressing from physical safety, economic security, social acceptance, to spiritual or moral satisfaction. When a co-operative has become so economically strong that its members have transcended these needs for, such a co-operative inevitably participates in the life of the community and the nation in varying degrees of commitment and intensity.

However, it is essential that the national and international movements ensure that co-operatives should not be regarded as "enterprises affected with public interest". While co-operatives aim for the betterment of humanity as their ultimate goal, it should be understood that such a goal is self-imposed on the part of the Co-operative Movement. Therefore, co-operatives should not be compelled to engage in any economic or social development activities when these do not further the interests or welfare of their members. Otherwise, the danger of government control sets in, with consequent loss of membership interest and support, and eventual failure.

### **What Co-operatives Do**

Hundreds of books have been written on what co-operatives do. All of these

writings can be boiled down into simple terms and, generally, they are:

- (a) provision to their members of the benefits of economies of scale in the acquisition of credit, goods and services;
- (b) generation/increase of savings and investments; productivity, incomes and employment; and purchasing power;
- (c) promotion of literacy through adult education and training programmes on economic matters such as those pertaining to members' livelihoods and enhancement thereof; and on social matters such as those relating to health, formal education, social security, civics, etc.;
- (d) access to modern technology for members; and
- (e) channel of information and services.

In certain countries there may be also other functions assigned to co-operatives, such as acting as agents for government services, e.g. the Philippines' electric co-operatives.

### **ICA Survey on Priority Needs**

The needs of Asian co-operatives vary from country to country. A recent attempt at determining the priority needs of co-operatives in Asia has been conducted through a survey made by the ICA ROA. Questionnaires were sent out to the ICA members in Asia which covered co-operatives' needs in four broad areas, namely, government support, technical assistance (from ICA or other international organizations), financial assistance, and other matters. Only seven ICA members responded to the survey and only

on the first three areas. While the respondents do not constitute a cross-section of the ICA members in Asia, their responses may be regarded as indicative of the priority needs of co-operatives in developed and developing countries in Asia. As gathered, their responses are as follows:

### **National Government Support**

The survey shows that the first priority need is support for promotion, education and training. This is followed by legislation on co-operative affairs; tax benefits and privileges; and investment funds, in that order.

### **Technical Assistance (from ICA or other international organizations)**

The survey showed that the need for specific technical know-how occupies top priority concern. This is followed by member education and management training. It appears that institution building and promotion-formation of co-operatives are not priority needs for ICA or other international organizations to address.

### **Financial Assistance**

Except for Japan, which finds no need for financial assistance, the highest priority need under financial assistance is to grant funds for development. This is followed immediately on an equal footing by the need for funds for foreign training, investments, and working capital.

### **ICA Regional Consultation**

ICA's Regional Consultation on the Role of Government in the Promotion of Co-operatives in Asia took place in Singapore from 4 to 7 June 1988.

The Regional Consultation made the most significant contribution toward co-operative development in Asia by addressing the needs of co-operatives with frankness and candour and suggesting ways of meeting them. In drawing up its Conclusions, the Consultation identified areas of priority action requiring immediate attention by government, co-operative movements and ICA under three broad areas: co-operative policy, government promotion, and technical and financial support.

It was suggested that governments should provide the following support to the co-operative movement:

- incorporation of the role and importance of co-operatives in the Constitutions of the respective countries;
- formulation of national policy in consultation with co-operatives;
- creation/building of environment for co-operatives to play their full role;
- extending support in building a self-reliant strong co-operative sector to supplement the public and private sectors;
- enactment of progressive co-operative law in conformity with Co-operative Principles;
- assisting co-operatives to generate and build their resources;
- assisting co-operatives to build their professional management personnel;
- transfer of functions of audit, inspection, supervision and responsibility for elections, etc. to co-operatives;
- promotion of co-operative values/spirit;

- encouraging development of dedicated co-operative leadership from within the movement and giving public recognition to distinguished/dedicated co-operators by conferring appropriate national distinctions and awards for their contributions towards co-operative development;
- strengthening of co-operatives as a system establishing integrated inter-co-operative linkages;
- promotion of democratic participation of members in decision-making;
- supporting co-operative education and training;
- supporting the involvement of co-operatives in community development;
- providing or arranging financial assistance to co-operatives in the form of soft loans/guarantees, grants and subsidies, tax exemptions, etc., in a manner as would not infringe upon the autonomy of co-operatives. Financial aid to co-operatives should be given to the maximum possible extent, indirectly and through their federal institutions so as to prevent formation of pseudo co-operatives and abuses;
- regarding co-operatives as community institutions and consulting them on matters involving them, e.g., fixing the prices of agricultural commodities, manufacture of consumer goods and measures for consumer protection as well as giving due weight to their views;
- involving co-operatives in planning from village upwards for achieving more realistic and committed planning;

- discontinuation of the practice of ex-officio holding of elective offices by government officers;
- instead of dissolving the entire elected board for any irregularities, erring individual members of the board should be disciplined. In the event that dissolution of the board becomes inevitable, the management should be entrusted to the concerned federal organization;
- encouraging and assisting co-operatives to develop their own key-top management personnel instead of seconding government officers;
- introducing curricula on Co-operation in schools, colleges and universities; and
- ensuring that competition between the public sector and co-operative enterprises is avoided. The working of public sector enterprises should be such as would strengthen the co-operatives.

The Consultation was of the opinion that the main strength of the co-operative movement lies in the membership who have the right and the duty to elect competent people to the board of directors. In view of this the Consultation suggested that it was essential that a massive education programme of members and their elected leaders should be carried out by co-operative movements and governments should render the assistance needed for this purpose.

In addition, it was necessary to develop positive attitudes and skills through training programmes in co-operative concepts and principles and co-operative law.

There was also a need for orientation programmes for top level policy makers to keep them aware of the changing environment and needs of the co-operative movement.

The Consultation recognized the fact that there are certain priority needs which should be met by the national co-operative movements as their capabilities permit. These priority areas of attention to corresponding needs are identified under the subject "Role of National Organizations", as follows:

- to evolve continuing dialogue between co-operatives and the government;
- to strengthen training and education of employees, members and leaders of primary societies;
- to represent problems of the primaries to the government;
- to involve intelligentsia in the process of co-operative development;
- to undertake supervision and auditing and provide guidance to the members;
- to develop innovative approaches to face new socio-economic challenges;
- to organize orientation programmes for policy-makers and senior government officers;
- to promote interco-operative trade within the country and at international level;
- to project the achievements of co-operatives;
- to develop strong links, unity and integration among the co-operatives, both vertically and horizontally, for building an effective performance-oriented co-operative system;

- to formulate and adopt a code of conduct for officers and board of directors to prevent the misuse of co-operatives;
- to enhance and monitor the share of co-operatives in various sectors of the national economy; and
- to develop effective and adequate arrangements for conducting ongoing research in various aspects of co-operatives including government/co-operative relationships.

Considering the importance of ICA and other international organizations in the co-operative development process, the Consultation made suggestions for increased international recognition and assistance under the topic "Role of International Organizations".

It was suggested that the ICA ROA should regularly convene meetings of top level policy-makers in the government and co-operative leaders.

In addition, ICA ROA should:

- conduct studies on the impact of co-operatives on economic development, production and pricing;
- carry out a yearly review of co-operative developments in the Asian region for information of and use by movements and governments;
- expand its co-operative development programme with the assistance of donor agencies. Concerned ministries of the governments and national level co-operative movements should be kept fully informed about such programmes; and
- formulate and carry out "Exposure-Programmes" for the co-operative policy-makers in the governments of countries of the region to acquaint

them with the developments and working of co-operatives.

### **Priority Needs**

This identification, classification and prioritization of the needs of co-operatives in Asia is the most comprehensive to date. It will serve as a useful guide for co-operative planners and implementors, whether from government, the co-operative movement, or international organizations. The identified needs cover all sectors from finance, agriculture, industry and services to government support and international assistance.

### **Legislation**

Co-operatives constitute legal organizations taking their rightful place in society alongside corporations, partnerships, and proprietorships. They have emerged from 'ad hoc' interpersonal economic arrangements, to informal associations, culminating in formal organizations with juridical personality, complete with registered charter, by-laws, management structure, and organized resources. There is a need for appropriate legislation recognizing them as a distinct class of legal and economic organizations, and embracing the following areas:

#### **(a) Constitutional Law**

Co-operatives should be recognized in State constitutions as legitimate organizations on an equal footing with corporations, partnerships, and proprietorships.

#### **(b) Statutory Laws**

There should be one law exclusively for co-operatives and another for government agencies dealing with co-operatives. If there were a common

law for both, co-operatives would inevitably become a part of the official operating structure of the government co-operative agencies, which would erode the autonomy and independence of the co-operatives.

#### **(i) Organic Law**

This should define co-operatives and the general principles under which they may be organized and registered: their powers, functions, responsibilities, administration, accounting and management systems, capital, property and funds, publication of reports and financial statements; and the manner by which they may federate, merge, divide, be dissolved or liquidate their accounts. This law should cover all possible types of co-operatives.

#### **(ii) Technology Law**

"Technology law" should deal with specific types of co-operatives such as agricultural, fishery, credit, etc. It would deal specifically with the technical and technological processes involved in economic operations.

#### **(iii) Government Agency Law**

This law is the charter of the government agency in charge of co-operatives. It would limit the powers of agencies to registration and regulation in accordance with the organic co-operative law.

### **Development Trust Fund**

Co-operatives have always been in urgent need of funds for development. We may need to review the current approach towards financing co-operative development, which is 'ad hoc' and short term in nature with a tendency to "whet the appetite" for more

grants and thus create more and more demand in the future. Applicants are required to submit their requests or proposals for consideration at a specific meeting. If granted, the amount of assistance given and the duration thereof are limited. This approach has its merits in the sense that only genuine and effective development projects may be considered. However, by the time the applicant or requestor finally can comply with the requirements and the grant is given, the rationale or time-table for the project may have been irretrievably lost. In addition, the grant is only a "one-shot" affair and its effects over the long term are often uncertain. There is a need for a change in the approach towards financing co-operative development, which should perhaps be institutionalized as a permanent feature of the co-operative movement at national and international levels. The idea is to establish a development trust fund under predetermined guidelines such as:

- (a) establishing the nature of the fund as a Trust Fund for co-operative development;
- (b) appointing a Trustee organization;
- (c) depositing the principal in a commercial bank acceptable to the donor(s) for investment in safe, high-yield government or commercial securities acceptable to the donor(s);
- (d) utilizing the proceeds of the Fund for co-operative development purposes under pre-set criteria and releasing the funds under a schedule based on the project document(s) approved by the donor(s);
- (e) submitting to the donor(s) an annual audited financial statement

by the trustees on the disposition of the principal and proceeds;

- (f) the Trust Fund should be for a period of at least ten years based on a projection on the funding needs for co-operative development in the area of operation;
- (g) the Trustee organization should be required to set aside at least ten percent of the proceeds of the principal and accumulate the same during the term thereof.

The above-suggested Trust Fund could be established in every country where an ICA Member can be appointed as Trustee.

The Fund concept, which can be operationalized at national and international levels, amplifies the development potential of the money granted by donor(s) while, at the same time, keeping the principal intact.

### **Integrated Promotion of Co-ops**

There is a need to include co-operation in the curricula of the formal educational system from grade schools to university level; as well as in civil service training programmes from the ministerial to the field level. Co-operatives would then become a familiar form of economic organization and not be regarded as vague, nebulous or mysterious. Likewise, there is a need for government development programmes to recognize co-operatives as potential partners and encourage them to participate on terms consistent with their autonomy and independence. Co-operatives should be treated on an equal footing with corporations, partnerships and proprie-

torships, and need not be accorded preferential nor concessional terms.

### **Institutional Building**

The co-operative needs to be developed as an organization, especially at apex level, and assisted in developing its corporate planning and operating capabilities. The various bodies and offices composing the internal structure should be operated as one dynamic whole through a corporate plan which should include:

- (a) objectives;
- (b) policy instruments and strategies;
- (c) work programmes;
- (d) resource mobilization and rationalization;
- (e) management systems; and
- (f) monitoring and evaluation.

In activating such a corporate plan, full utilization of the major elements of development should be made, namely:

#### **(a) Education and Training**

There is a need for a comprehensive programme for training members, directors, committee members, corporate executives (Chairman, President, Vice-Chairman, Vice-President, Corporate Secretaries, Treasurers, Comptrollers, Auditors) general managers and key management staff. Such a programme should be directly related to an employment career system.

#### **(b) Audit**

A comprehensive programme to monitor and evaluate performance efficiency needs to be established to identify problems and provide inputs for education, training and technical assistance.

#### **c) Technical Consultancy**

Specific expertise on particular aspects of the co-operative's operations should be made available as the need arises, bringing to light areas requiring further study, training or monitoring.

### **Technologization**

There is a need for co-operatives to acquire and utilize technology in order to keep abreast with modern developments. However, such technology is often beyond their means and, therefore, there is a risk they will lag behind and lose out to their competitors. Most of the technology belongs to large corporations and multinationals who make money through its licensing, manufacture and sale. Until recently, co-operatives have been patronizing these large businesses.

### **Co-operatives should consider:**

- (a) conducting a survey of the needs of co-operatives and members and the technology available;
- (b) making a survey of inventors and scientists whose discoveries may be contracted through patent or copyright agreements; franchise agreements; and similar arrangements;
- (c) commercializing of technology acquired under the foregoing arrangements; and
- (d) utilizing technology as a vital component of co-operative development work.

Although many co-operatives are currently using high technology in varying degrees, a deliberate programme to develop, acquire, and use technology as a tool for co-operative development has yet to be established.

Whether we like it or not, technology will determine the fate and destiny of co-operatives in the next century.

### **The Consultation Role of ICA**

The expected role of the ICA in the development of co-operatives in Asia are the following:

#### **1. Meeting with Policy-Makers**

The ICA ROA may periodically convene on a regular basis meetings of top level government and co-operative policy-makers.

#### **2. Development Activities**

ICA ROA is expected to undertake the following:

- (a) conduct studies on impact of co-operatives on economic development, production and pricing;
- (b) carry out a yearly review of co-operatives' economic developments in the Region for use by the movements and governments;
- (c) expand its co-operative development programme with the assistance of donor agencies and keep government ministries and national level movements informed;
- (d) formulate and carry out "Exposure Programmes" for the policy-makers in the region to acquaint them with the developments and workings of co-operatives.

### **Role of Co-operatives**

Co-operatives draw their resources, support and sustenance from comparatively large numbers of people who have limited means. Although these people also patronize the businesses of corporations, partnerships and single proprietorships in Asia generating income and wealth for the owners thereof, they do not have any

share therein. This results in a maldistribution of income and wealth.

In Asia there exists a number of islands of great wealth in an ocean of poverty - a comparatively few rich and wealthy people amidst a teeming mass of poor people. There is no need to present statistics as the Asian landscape presents such obvious reality. Add to this situation: (1) the destruction annually inflicted upon the continent by natural disasters such as earthquakes, floods, cyclones, droughts, diseases, etc.; (2) the ravages and population dislocation caused by wars, civil disorders and crimes affecting entire nations; (3) the economic dislocations and chaos caused by the oil price increases and (4) the gargantuan Third World Debt crisis. What role can co-operatives possibly play in Asian economic development under such a situation?

The monumental size of the problems faced by the Asian economy challenges the imagination of co-operative planners and policy-makers. However, the organizing power of co-operatives, i.e., their capability of galvanizing the people for organized economic action provides the key for co-operatives to play a significant role in Asian economic development. In order to achieve immediate results, co-operatives should consider the following priority areas of activity wherein their contributions would have lasting and visible results:

#### **1. Food and Nutrition**

Agricultural and Fishery co-operatives should be organized and given encouragement in the production and distribution of food at reasonable prices. The Asian Region is rich in agricul-



tural and fishery resources. Given the necessary support and encouragement in terms of sourcing of low-cost credit and input/supplies, and marketing assistance, co-operatives should be able to improve the food situation and help solve the problems of starvation and malnutrition.

## **2. Livelihood**

Existing co-operatives or those organized for the purpose, can act as channels for adult education and training. Co-operative education committees can act as a facilitator in the development and implementation of a livelihood development programme which may cover entrepreneurial, vocational and technical/technological training.

## **3. Capital Mobilization**

Co-operatives are effective capital mobilizers provided that they possess the qualities of leadership credibility; organizational integrity and stability; and openness in their affairs. Given a good cause, such co-operatives and their members can raise the funds necessary for worthy projects.

## **4. Technology Transfer**

Co-operatives can effectively facilitate the transfer of modern technology to the people since co-operatives are generally perceived to be working for the peoples' interest and welfare. Modern technology increases productivity and incomes and co-operators are, therefore, quickly convinced of its merits.

## **Expected Action Programme**

ICA ROA should consider:

### **1. Public Policy Initiatives**

Representational efforts should be initiated towards the enactment of ap-

propriate legislation for co-operatives as indicated above. The forthcoming Ministerial Conference in Australia, in February 1990, should serve as the springboard for action in this direction.

### **(a) Government Support**

Appropriate representation should be made to governments on the provision of adequate support to co-operatives in terms of tax advantages and privileges such as low-cost credit, raw materials, and inputs; marketing assistance and development; education and training; and audit.

### **(b) Respect for the Democratic Nature of Co-operatives**

ICA ROA should promote awareness of and respect for the democratic nature of co-operatives through development programmes that enhance the full expression of their characteristics of autonomy and independence.

### **(c) Women's Involvement**

History has proved the capabilities of Asian women for positions of leadership on an equal footing with men. Famous personalities like Indira Gandhi, Benazir Bhutto, Ms. Bandaranaike, and Corazon C. Aquino, to name a few bright stars in the Asian sky, have demonstrated convincingly the capability of the Asian woman as a leader. Apart from this, women have the natural talent of identifying and grappling with the realities and gut issues of human life, born out of their natural role as wives and mothers. Hence their involvement in co-operatives and development will add not only luster but also more credibility to the value of co-operatives as agents of development.

**2. Technical Assistance Programme**  
ICA ROA should provide technical assistance to co-operatives in institution-building, co-operative network installation, and technology transfer. The value of self-reliance and mutual assistance should be consciously promoted and supported.

**3. Development Trust Fund**  
ICA ROA should initiate the establishment of development trust funds in countries where co-operatives are prepared for the operationalization of the concept.

**4. Technologization**  
ICA ROA should initiate the design and development of technology, acquiring copyrights so as to produce and distribute at reasonable costs to co-operatives. ICA ROA should also establish a research and data bank to mobilize technology information.

The suggested programme should adequately put into perspective the role and potential of co-operatives as partners of governments and private business in Asian economic development. As such partners, they can accelerate economic development and act as countervailing forces where economic development becomes unbalanced.

The effectiveness of co-operatives as partners in the development of the Asian economy hinges on two major factors: (1) maximum use of their organizing powers; and (2) technologization. The first mobilizes the resources of large numbers of people, while the second ensures control and direction of the massive resources mobilized. Thus, ICA ROA faces a challenging future and we feel confident that it will be equal to the task.

*A Conference is (Cont/d from page 50)*



*... and talking to the Press*

**Dehli Social Functions . . .**



*Learning the local customs at an evening reception*



# Examples of Co-operative Success in Singapore

by Eric Cheong\*

The Co-operative Movement in Singapore was initiated in 1924 with the enactment of the Co-operative Societies Ordinance for the Straits Settlements.

Since then, with 65 years of history and experience behind us, we can confidently say that the movement has come of age. From the historical beginnings of meeting the financial needs of the working people through the early thrift and loan and multi-purpose societies, the movement took a quantum leap in 1969 when the Singapore Labour Movement, the National Trades Union Congress (NTUC) at its Modernization Seminar that year laid the blueprint for the formation of union-backed co-operatives. Within a span of nine years, from 1970 to 1979, 13 co-operatives were established by the NTUC and its affiliated unions. This resulted in a tremendous upsurge in membership and created a significant impact on the daily lives of the workers and population at large.

Several of these pioneering co-operatives have become well established and are household names in Singapore.

NTUC FairPrice, the largest consumer co-operative with a network of 35 supermarket branches nationwide is synonymous with good quality consumer goods at economic prices. In fact in certain staple commodities, such as rice, it is the market leader in terms of competitiveness and quality.

NTUC Income, the only insurance co-operative in Singapore, has emerged to become the second largest insurance organization in the country, in terms of number of policyholders, catering to the insurance needs of the working population. It has underwritten over 250,000 policies with total sum assured of around S\$4.5 billion.

NTUC Comfort, the only taxi co-operative in the country, is also the largest taxi fleet operator in this part of the world. Good management and training programmes have resulted in the fleet of over 6,100 taxis being recognized for providing the most courteous and professional taxi service in Singapore.

We also have a dental service co-operative, NTUC Denticare, the only medical co-operative in the country.

With the successes achieved by these and other co-operative ventures backed by the labour movement, other co-

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\* Eric Cheong is Chairman to the Singapore National Co-operative Federation (SNCF).

operative societies were stimulated to emulate their sound policy of business prudence and professional management in all areas of co-operative development.

As a result, several traditional thrift and loan societies jointly started a pioneering security services co-operative, the Premier Security Co-operative Society, in 1984, which has since established itself as a leader in this specialized service sector.

Then, in 1988, another pioneering co-operative venture was initiated with the formation of the Premier Computer Co-operative Society which was the first to run a comprehensive co-operative computer education and training centre in Singapore and, indeed, in this region. It is becoming a leader in this rapidly growing sector.

More recently, a travel co-operative has also been established.

These co-operative developments, especially over the last 20 years, have

seen current total personal membership reaching over 388,500, with 59 registered co-operative societies having a paid-up capital of over \$112.7 million and total assets of over \$686 million.

Our more active societies, such as NTUC FairPrice, have established commercial contacts with other co-operatives, e.g. with the Japanese Consumer Movement. Other bilateral links and regional liaisons are also being undertaken.

As I mentioned earlier, our movement has come of age, and we are ready to share our experiences with other movements, such as through our recently launched Singapore International Co-operative Technical Assistance Programme (SINCOTAP). At the same time we hope to learn more from the international co-operative fraternity and increase our range and level of contacts, both commercial and others, with other co-operative movements and organizations.

# The Agricultural Co-operative Movement in Korea

by Won Ho Suh\*

## Organizational Structure

The agricultural co-operatives in Korea are organized vertically at two levels: primary co-operatives at the township level and their federation at the national level. They are horizontally classified into two categories: multipurpose co-operatives and spe-

cial co-operatives. The multipurpose co-operatives are organized by farmers primarily engaged in the production of grains such as rice and barley, while special co-operatives are established by the farmers who are mainly engaged in fruit and vegetable farming (Table 1).

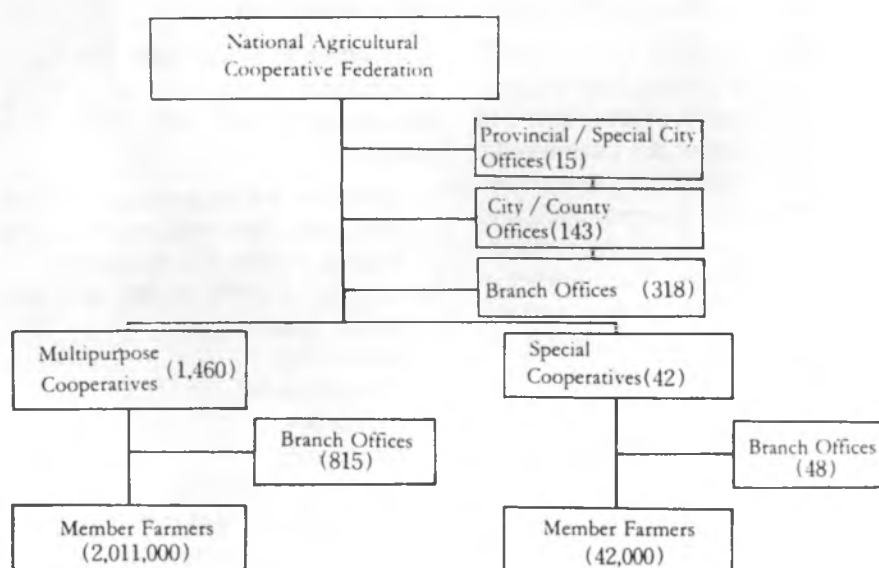


Table 1 - Organizational structure of agricultural co-ops (Sept. 1989)

\* Won Ho Suh is Director General of the International Co-operation Department of the National Agricultural Co-operative Federation, Seoul, Republic of Korea.

The multipurpose co-operatives and special co-operatives are affiliated with the national apex organization called the NACF or National Agricultural

Facility	Unit	Quantity
Cooperative office	establishment	2,880
Agri. Coop. College	-	1
Staff training institute	-	6
Coop. leaders training institute	-	2
Coop. marketing center	-	74
Agri. collection point	-	168
Folk handicraft center	-	1
Warehouse	unit	11,733
Agri. supermarket	establishment	33
Coop. chain store	-	1,909
Farm mechanization center	-	288
Farm machinery service center	-	697
Petroleum station	-	894
Truck	each	2,100

*Table 2 - Major facilities operated by agricultural co-operatives (Sept. 1989)*

Co-operative Federation. The NACF has 9 provincial offices, 6 special city offices, 142 county offices, and 318 banking branches under its umbrella. There are 1,460 multipurpose co-operatives, 42 special co-operatives, and the number of member farmers stands at around 2 million. The number of officers and staff members of agricultural co-operatives totals 54,000, including 15,000 NACF staff. The total business turnover in 1988 of agricultural co-operatives including the NACF reached 45 trillion won (US\$ 65 billion).

### Major Activities

The objectives of agricultural co-operatives are to increase agricultural productivity, to enhance the economic and social status of farmers and to ensure a balanced development of the national economy through the voluntary organization of farmers.

In an effort to attain these objectives, agricultural co-operatives conduct diverse businesses and activities as follows:

- a) farm and living guidance, education, public information service, cultural activities and research;
- b) supply of farm inputs and consumer goods;
- c) marketing;
- d) foreign trade;
- e) utilization;
- f) processing;
- g) credit and banking;
- h) international banking;
- i) co-operative insurance;
- j) political and legislative activities;
- k) international co-operation.

### Business Performance

After their establishment in 1961 as multipurpose agricultural co-operatives, the primary co-operatives endeavoured to create an indispensable

organizational base for co-operative business operations. They have made remarkable progress since 1972 when village-level co-operatives were merged into economically viable township-level co-operatives, bolstering their ability to extend a variety of services to their member farmers through the increase in the number of employees, introduction of new types of business and establishment of various physical facilities.

The rapid development of the multipurpose co-operative is evident in the growth of annual business turnover as shown in Table 3. In 1988, the average business turnover per multipurpose

co-operative reached 14 billion won (US\$ 21 million), about 314 times over the 1972 figure. During the period, loans recorded the highest rate of growth followed by deposits, marketing, supply of consumer goods, co-operative insurance, utilization and processing, and supply of farm inputs.

The major factors behind such rapid development of the Korean agricultural co-operative movement during the past 28 years can be summarized as follows:

**a) Organizational Factors**

- (i) Adoption of the multipurpose co-operative system;

Business	1972	1980	1985	1988	Ratio(times)	
					88 / 72	88 / 85
Deposits	8	555	1,795	4,702	587.8	2.6
Loans	8	726	2,519	5,007	625.9	2.0
Cooperative insurance	53	374	675	2,478	46.8	3.7
Supply of farm inputs	15	379	418	459	30.6	1.1
Supply of consumer goods	3	64	146	288	96.0	2.0
Marketing	11	287	621	1,454	132.2	2.3
Utilization & processing	1	21	35	39	39.0	1.1
(Total)	(46)	(2,406)	(6,209)	(14,427)	313.6	2.3
Staff(person)	6	18	21	24	4.0	1.1

(in million won)

Table 3 - Growth of business turnover of multipurpose co-op (national average per co-op)



- (ii) top-down promotion of agricultural co-operatives;
- (iii) amalgamation of primary co-operatives;
- (iv) reorganization of the former three-tier structure into two-tier structure.

**b) Operational Factors**

- (i) Implementation of the government-trusted businesses;
- (ii) introduction of the Mutual Credit Scheme;
- (iii) member education;
- (iv) implementation of the Integrated Regional Agricultural Development Projects.

**c) Managerial Factors**

- (i) Centralized management system;
- (ii) establishment of managerial accounting system;
- (iii) employment of competent staff members

**Characteristics of the Agricultural Movement**

**1. Multipurpose Type**

The primary co-operatives in Korea are of the multipurpose type, embracing practically all the country's farm households and providing member farmers with diversified services, including credit and banking, co-operative insurance, marketing, supply and guidance.

The national apex federation called the National Agricultural Co-operative Federation (NACF) is unique in the sense that it is also of the multipurpose type, carrying on education, audit, research, publication, and political and legislative activities in addition to the businesses conducted by primary co-operatives.

From their inception, the Korean agricultural co-operatives have adopted the multipurpose type for reasons such as small-scale farming, homogeneity of farmers, the lack of functional coordination between the former agricultural co-operatives and the Agriculture Bank, and strong desire of the Government to accelerate agricultural and rural development.

The multipurpose type of agricultural co-operatives in Korea has proved to have the following merits:

Firstly, these have provided member farmers with an integrated package of services at reasonable costs to meet diversified needs of farmers in their farming and daily living.

Secondly, they have enhanced the complementary effects of co-operative businesses by integrating the banking business sector with the non-banking business sector including marketing, supply and guidance.

Thirdly, they have contributed to the successful implementation of agricultural development policy by supplying farming funds and farm inputs at a proper time and reasonable prices.

**2. Two-Tier Structure**

The agricultural co-operatives in Korea have a two-tier structure: the primary co-operatives at the township level and their federation at the national level. However, up until 1980, the agricultural co-operatives had a three-tier structure of primary co-operatives, county co-operatives and the national federation.

The changing situations surrounding agriculture and rural communities in the early 1980s have prompted the

restructuring of the former three-tier system into a two-tier system.

Firstly, the expectations and aspirations among the farmers and government officials toward the primary co-operatives were rising to a great extent.

Secondly, an increasing number of private enterprises, most of them competing with primary co-operatives, entered the rural community, thereby requiring further strengthened managerial ability of primary co-operatives.

Thirdly, with the development of transportation and communications drawing the rural and urban areas closely together in terms of time and distance, the functions of county co-operatives began to decline, thus giving rise to a functional overlapping among agricultural co-operatives at different levels.

Under the circumstances, agricultural co-operatives were confronted with the need to overhaul their structure and improve their operations. The county co-operatives were divested of their legal status and placed under the control of the NACF, thus streamlining the organizational structure into a two-tier system.

As a result, the status of primary co-operatives was strengthened, while the waste and inefficiency due to the operation of the county co-operatives were removed. The funds and manpower thus saved were diverted to the development of primary co-operatives, and various facilities previously owned by county co-operatives were turned over to primary co-op-

eratives to bolster their ability to serve the farmers.

### 3. Shift to Bottom-up Operation

Unlike the co-operatives in developed countries which have been established by farmers from the bottom up, the agricultural co-operatives in Korea were organized from the top down. The Government took the initiative to establish the national federation, and the federation, in turn, provided guidance and assistance for the farmers to organize primary co-operatives. The top-down promotion of agricultural co-operatives was necessary for the following reasons:

Firstly, in the early 1960s when agricultural co-operatives were organized, farmers were not fully aware of their status as an independent entity and thus did not recognize the need to organize their own co-operatives. Therefore, the Government had to play a leading role in inducing farmers to join co-operatives.

Secondly, the Government felt a pressing need to organize the agricultural co-operatives as early as possible to expedite the development of agriculture and national economy by resolving the chronic problems of usurious loans in rural areas and the national food shortage.

Hence, it was natural that the Government should exercise some voice and control over agricultural co-operatives. Consequently, member farmers were inclined to look upon them as an arm of the Government rather than bona fide farmers' co-operatives.

Therefore, the NACF has endeavoured to shift to the bottom-up operation of

primary co-operatives. From the early 1980s, formulation of the annual business plan was left to the individual co-operatives themselves, and their presidents were elected by the representative member farmers. In particular, with the amendment of the Agricultural Co-operative Law in 1988, the shift to the bottom-up operation of agricultural co-operatives will be further accelerated.

#### **4. Multibanking Business**

Agricultural co-operatives are the exclusive banking institution for the agricultural sector. As the nation's largest nation-wide on-line banking network covering 467 banking branches of the NACF in urban and semi-urban areas and 1,460 multipurpose co-operatives in rural areas throughout the country, agricultural co-operatives have carried on multibanking business such as agricultural development banking business, co-operative banking business, and commercial banking business.

Firstly, agricultural co-operatives play the role of agricultural development banks by extending credit to individual farmers and corporate bodies engaged in agriculture or development of agriculture and rural communities. The exclusive handling of the government policy loan by the NACF and its member co-operatives has many advantages in view of the NACF's significant contribution to the mobilization of agricultural development funds, and their nation-wide on-line network.

Secondly, agricultural co-operatives play the role of co-operative banking in rural areas through the implemen-

tation of the Mutual Credit Scheme. Primary co-operatives receive deposits from and make loans to the member farmers and non-members. The surplus funds of the primary co-operatives are deposited with the Mutual Credit Special Account in the NACF to be either reloaned to primary co-operatives with poor deposit resources or used to purchase securities with high interest rates.

Thirdly, agricultural co-operatives play the role of commercial banks in urban and semi-urban centres with the NACF headquarters acting as the head office and county offices as its local branch banks. They receive deposits, make loans and provide various commercial banking services such as domestic exchange, remittance, credit card, trust, securities, and international banking to the general customers.

#### **5. Agricultural and Rural Development Function**

As agricultural co-operatives have been established by the Government as a means of accelerating agricultural and rural development, they have been heavily involved in the development of agriculture and rural communities through their diversified business activities. In particular, agricultural co-operatives have undertaken the Integrated Regional Agricultural Development Projects since 1985 based on the experience gained from the implementation of the Integrated Income-Generating Saemaul Development Projects in 1977 and the Diversified Model Farming Projects in 1982.

Firstly, agricultural co-operatives mobilize funds from various sources

including farmers, urban dwellers, the Government, the Central Bank and international banking institutions, and extend agricultural and rural development loans to farmers and agribusiness firms, thus alleviating the so-called external capital rationing.

Secondly, agricultural co-operatives supply at reasonable prices major farm inputs such as fertilizer, farm chemicals, farm machinery, etc. for timely use by farmers, thus contributing to enhancing agricultural productivity and increasing agricultural production.

Thirdly, agricultural co-operatives play an important role in the increase of the agricultural prices received by farmers through the improvement of agricultural marketing by organizing joint shipping groups, establishing co-operative marketing facilities, enhancing the marketability of farm products and providing marketing information.

Fourthly, agricultural co-operatives provide rural welfare services to farmers through their business functions. The co-operative insurance business performs the function of social security and thus contributes to stabilizing the farm household economy by helping the affected household recover from the unexpected death, disease or accidents, and regain economic stability as early as possible. In addition, the supply of consumer goods at reasonable prices by agricultural co-operatives has contributed to reducing living expenditures of farmers and thus to improving their economic well-being. Furthermore, agricultural co-operatives operate welfare facilities such as

wedding halls, barber shops, bath-houses, beauty parlours, day-care centres and libraries, hold classes for housewives or the old and encourage cultural and recreational activities among farmers.

#### **6. Enforcement of the New Agricultural Co-operative Law**

In 1988, the NACF proposed further amending the Agricultural Co-operative Law in order to reflect the changing circumstances surrounding agriculture as well as to allow more autonomous operation of agricultural co-operatives with active participation of member farmers. The revised Law was passed by the National Assembly in the 1988 autumn session, effective 1 April 1989.

The passage of the new Law is considered an epoch-making event in the history of the agricultural co-operative movement in view of the following:

Firstly, the NACF and its member co-operatives will become fully democratic organizations due to the new election system. The Chairman and President of the NACF, formerly appointed by the President of the Republic of Korea, shall be elected directly by 1,500 presidents of member co-operatives in April 1990, while the presidents of member co-operatives, formerly elected by representative member farmers, are scheduled to be elected directly by all the member farmers of respective co-operatives.

Secondly, the managerial autonomy of the agricultural co-operatives will be greatly promoted with the intro-

duction of an ex post facto reporting system for the agricultural co-operative business plan and budget. The advance approval of the NACF business plan and budget by the Ministry of Agriculture, Forestry and Fisheries was replaced with an ex post facto reporting system, and the business plan and budget of member co-operatives do not require advance approval of the NACF President.

Thirdly, convenience and benefits for member farmers will be increased in line with further diversified business activities of agricultural co-operatives. Agricultural co-operatives have been permitted to admit non-farmers as associate members, invest in agribusiness, and conduct the commercial transportation business and farmland brokerage business.

## **Major Problems**

### **1. Competition: Private Sector**

Agricultural co-operatives are now in severe competition with the private sector in almost all the business activities. Although merchants were operating their businesses mainly in urban centres in the early 1960s when the farm income was at a relatively low level, they began to take a great interest in rural markets from the early 1970s when a rapid increase in agricultural production and farm income was recorded. A number of large-scale supermarkets operating in major cities have established buying agents in rural areas to purchase farm projects directly from farmers in competition with primary co-operatives. In addition, many supermarkets and chain stores have been established in rural

communities, resulting in severe competition in the supply of consumer goods with co-operative chain stores operated by primary co-operatives. Furthermore, merchants are competing with primary co-operatives in the supply of farm inputs including agro-pesticides and farm machinery.

On the other hand, primary co-operatives and banking branches of the NACF have been increasingly competing with commercial banking institutions in the fields of savings, trust and securities. Agricultural co-operatives are also competing with private insurance companies in canvassing for insurance. Therefore, agricultural co-operatives have to establish modernized physical facilities and introduce up-to-date relevant technology in order to effectively cope with increasing competition from private sectors in the fields of marketing, supply, banking and insurance.

### **2. Conflicting Demands for Services**

The member farmers of agricultural co-operatives are increasingly requesting their co-operatives to pay higher patronage dividend and interest on their share capital, to guarantee higher prices for their farm products, to expand rural welfare activities including the supply of consumer goods at cheaper prices and insurance welfare programmes and to be more actively involved in political and legislative activities for the interests of farmers.

On the other hand, the Government strongly urges agricultural co-operatives to operate their business in line with the agricultural policy aiming at increasing food production, renovat-

ing the agricultural marketing system and establishing welfare rural communities.

Furthermore, the consumers living in cities want agricultural co-operatives to supply farm products of good quality at reasonable and stabilized prices, thus influencing against the manipulation of prices by private traders.

However, agricultural co-operatives are not in a position to satisfy those diversified and conflicting demands because of their limited capability in terms of financial, human and physical resources and because of the basic objectives and principles of the co-operative.

In order to overcome this situation, agricultural co-operatives have to strengthen member education for the farmers to understand the limited capability of their co-operatives. They also have to conduct publicity activities for the government officials and consumers to comprehend the co-operative characteristics and extend support to the noble cause of the co-operatives.

### **3. Liberalization of Agricultural Imports**

Agricultural co-operatives are operating a wide variety of businesses mainly in rural areas based on agriculture. However, Korean agriculture has been experiencing great difficulties in the process of rapid industrialization and urbanization of the nation. The share of agriculture in the national economy is gradually decreasing.

At the end of 1988, the farm population accounted for only 17.3 per cent of the total population, and the share

of agriculture in the GNP stood at 11.7 per cent, while the average acreage per farm household is a meagre 1.17 ha. Because of the small scale of farming, our member farmers are unable to realize an economy of scale, resulting in high production costs for farm products, low level of farm income and heavy debts. Furthermore, the debts of farm households have steadily increased, mainly due to low prices of farm products and limited off-farm job opportunities for farmers.

Under the circumstances, our country has to import a large quantity of farm products such as grains, meat, fruits and prepared foods due to the mounting foreign pressure to open our domestic agricultural market. This has dealt a serious blow to our member farmers and gradually shrunk our agriculture which is the basic foundation of the agricultural co-operative movement.

In view of the increasing damage to the agricultural sector resulting from the liberalization of agricultural imports, agricultural co-operatives have to strengthen the political and legislative activities to protect domestic agriculture, and take appropriate measures for the member farmers to enhance their agricultural productivity and produce farm products of high quality.

### **4. Lack of Understanding of Agricultural Co-operatives**

The general public and even some co-operative members have insufficient information on agricultural co-operatives, resulting in a handicap to the smooth growth and progress of the agricultural co-operative movement.

Business	1972	1980	1985	1988	Ratio(times)	
					88 / 72	88 / 85
Deposits	133	1,172	2,752	5,535	41.6	2.0
Loans	148	1,181	2,854	5,426	36.7	1.9
Borrowings	72	575	1,943	3,890	54.0	2.0
Foreign loans	5	49	90	153	30.6	1.7
Foreign exchange	44	808	601	970	22.0	1.6
Cooperative insurance	90	540	1,540	4,990	121.7	3.2
Supply of farm inputs	41	401	467	854	20.8	1.8
Supply of consumer goods	2	80	338	657	328.5	1.9
Marketing	96	879	1,010	1,027	10.7	1.0
Foreign trade	39	40	35	42	1.1	1.2
(Total)	(670)	(5,115)	(11,630)	(23,544)	(35.1)	2.0)

Table 4 - Business performance of the NACF

(in billion won)

Generally speaking, government officials, professors in the universities, journalists and citizens have very limited knowledge of the co-operative movement, co-operative principles and co-operative activities.

Therefore, many people think of agricultural co-operatives as a governmental agency established for the purpose of implementing governmental programmes. Furthermore, some members do not believe in the explanation by the co-operative leaders that the agricultural co-operative is not an agency for the government but a voluntary organization established by the members themselves for the protection of their own interests.

These wrong images of agricultural co-operatives are due to the fact that agricultural co-operatives were established on the initiative of the Government without positive participation of member farmers, and that agricultural co-operatives are implementing government-entrusted businesses under the guidelines given by the Government.

Thus, agricultural co-operatives should conduct information and publicity campaigns in an effective way with a view to correcting wrong images of agricultural co-operatives, and thus to winning full support from the general public as well as from the member farmers.

# Co-operatives in Asia

by Shiro Futagami\*

## The Role of IDACA

This article deals with the role and functions of the Institute for the Development of Agricultural Co-operation in Asia (IDACA) in connection with Asian agricultural co-operative movements.

It was in 1958 that representatives of Asian co-operatives met for the first time in Asia in Kuala Lumpur under the auspices of the ICA to discuss the establishment of the ICA Regional Office for Asia. Since 1960, when the Regional Office was opened in New Delhi, solidarity and mutual co-operation among the movements in the Region have been stepped up perceptibly.

In 1962, two years after the establishment of the ICA Regional Office, the Central Union of Agricultural Co-operatives (CUAC) in Japan took the initiative to hold the Asian Agricultural Co-operative Conference in Tokyo in co-operation with the ICA Regional Office to discuss ways and means of promoting the agricultural co-operative movement in the Region. One of the four resolutions adopted at this Conference was the creation of a training institute in Tokyo called the Institute for the Development of Agricultural Co-operation in Asia, or IDACA



for short. CUAC immediately followed up on the resolution by establishing this institute in 1963 in Tokyo. The institute, which has facilities for accommodation and training, is used exclusively to train co-operative leaders from developing countries. The salient features of this unique training institution may be summarized as follows:

**First:** It was established by CUAC according to the wishes of agricultural co-operative representatives in Asian countries.

**Second:** IDACA has a Board of Advisers which consists of members of the ICA Regional Council for Asia representing agricultural co-operatives. The Board meets once a year at the same time and place as the ICA Regional Council meeting to discuss IDACA's programme with the members, co-ordinating its activities with those of the ICA and establishing close

\* Shiro Futagami is Managing Director of the Institute for the Development of Agricultural Co-operation in Asia (IDACA).



working relations with the ICA Regional Office.

**Third:** This institute is not designed to teach the theories of co-operation but to acquaint participants with the work and experiences of agricultural co-operatives in Japan. That is why we have no faculty members. Necessary resource persons are invited from among experts working in national, prefectural and primary level co-operative organizations according to the subject.

**Fourth:** IDACA is financially supported by Japanese agricultural co-operatives, namely CUAC, which contributes about US\$ 700,000 every year to IDACA. IDACA is also commissioned by the Japanese Government and international organizations such as ICA and Afro-Asian Rural Reconstruction Organisation (AARRO) to conduct various training programmes.

IDACA organizes eight courses every year on different themes, lasting from two weeks to two months. These are classified into three broad categories. The first comprises those courses organized in collaboration with the ICA and AARRO, the second includes those commissioned by the Government, and for the third category themes are picked in accordance with bilateral agreements between CUAC and agricultural co-operatives in other countries. 2,600 co-operative leaders from Asia, Africa and Latin America have participated in the courses, seminars and workshops held by IDACA since its inception. Seventy per cent of them were from Asian countries. IDACA has also been conducting a follow-up programme for the last 13 years with financial support from the Government. It holds meetings with ex-participants to hear about how they are making use of their experiences gained



*IDACA participants visiting a strawberry farm during a Training project for Agricultural Co-ops in Asia.*

in Japan and discuss how to improve IDACA's future training programme. In some countries IDACA Alumni has been organized.

IDACA has maintained a close working relationship with both the ICA Regional Office for Asia and agricultural co-operatives in the Region, enhancing the mutual understanding and unity among them. A unique collaboration with the ICA is the special financial contribution to the ICA from the Japanese Government.

Considering the needs of agricultural co-operatives in the Region and the need to further strengthen the ICA Regional Office, the Central Union of Agricultural Co-operatives took the initiative of negotiating with the Japanese Government in 1985. It requested that a Government Aid Fund be made available for improving agricultural co-operative activities in the Asian Region through new approaches of training and management practices. The Government finally agreed to grant about US\$ 400,000 a year for a special five year ICA project starting in 1986/87. It is the first and only case in which the Japanese Government gives a direct financial contribution to a non-governmental international organization. With this fund from the Japanese Government, the ICA Training Project for Agricultural Co-operatives in Asia was initiated. The overall objective of this project is to help strengthen and improve the agricultural co-operative performance in Asia. Specifically the project aims to bring about qualitative and quantitative improvement in co-operative services to member farmers at the grassroots level,

thereby increasing income and ensuring greater member participation in co-operative activities. This project is a six-months' training course with 15 participants from ICA member countries in the Asian Region. Part I of this training course begins with a two-month session in New Delhi followed by a two-weeks study tour of Thailand. The participants are then assigned a task of drafting, in one month, a co-operative development project at primary level in their home countries. After the home assignment, Part II of the course starts in Tokyo at IDACA for another two months, followed by a two-weeks' study tour of Korea.

The course has been repeated three times already. All the participants had drawn up development projects, some of which have already been implemented with their own fund and financial support from their government. Over the last three years, this new result-oriented approach has proved useful and effective in improving planning and management capability of the participants.

During the last three decades much effort has been made by the ICA Regional Office and other donor organizations to promote agricultural co-operatives in the region. As a result, considerable progress has been made in establishing the agricultural co-operative structure. But the question is whether these co-operatives are functioning in a planned and integrated manner as an effective economic organization based on the needs of the individual member farmers and farming community at large.

In all of the countries in the Region, the national governments give high priority to co-operative development as they consider co-operatives to be the most suitable form of organization for agricultural and rural development. In some countries, however, too much dependence on government initiatives, subsidies, management personnel and policy supports resulted in the weakened self-help consciousness and loyalty of members. Furthermore, it generated a tendency to consider co-operatives as a government concern. But this does not mean the government and the co-operative movement should be antagonists. They have the common objectives of improving the socio-economic condition of the people and promoting national development. Co-operation being conceptually a self-help movement, government support is not to be expected. But it seems that the situation in the developing countries of Asia makes government support to agricultural co-operatives inevitable. What may be needed is support in the form of financial and technical assistance, motivational policies and creation of a conducive environment.

Such assistance itself does not infringe on the autonomy of co-operatives provided it is made on mutually-agreeable terms. Whether or not co-operatives can be operated democratically and independently is the responsibility of management. Co-operative management and leaders should try to develop the sense of belonging among members. This calls for well-planned and integrated approaches in diversified business operations of co-opera-

tives such as credit, input-supply, marketing and processing to ensure the greater economic return to the farmers. The co-operatives should identify the requirements of farmers and the farming community. They have to provide guidance or consultancy on how to improve farm management including group farming and effective marketing. No co-operative will be able to attain its objectives in the Asian situation if it is isolated in terms of its business activities.

The state of co-operative development and the problems facing agricultural co-operatives vary from country to country. No uniform approach can be adopted for the Region as a whole. Even so, assuming that each agricultural co-operative has to be developed as an autonomous and self-reliant institution, member participation and an integrated approach is essential.

Given these circumstances in the Region, IDACA will, in its future programme, put an emphasis on the approaches that we have adopted in Japanese agricultural co-operatives in these two areas. Experiences and practices in Japan may well be relevant to agricultural co-operatives in other parts of Asia because of similar agricultural conditions like small landholding, mixed farming and so forth. Keeping this in mind, and for the further growth of agricultural co-operative movements in the developing countries, IDACA is more than happy to continue to work in close collaboration with the ICA Regional Office for Asia and to maintain and strengthen our ties with ICA member organization in the Region.

# Co-operative Values, Principles and Identity before the Turn of the Century

by Sven Ake Bök\*

What are the relevant values and principles after some 150 years of co-operative development? Are the old ones still good or do we have to change them? I am responsible for an ICA project about these kinds of issues, following up the resolution at the Stockholm Congress on "Basic Co-operative Values". I am just at the beginning of my work and this is a short presentation of the project



## 1. The Task

The leading issue of the project can briefly be worded like this: What are the basic co-operative values for the future and what are the basic co-operative principles against that background? The perspective must be global, as it is a main role for the ICA to make recommendations etc. about the values and the principles in this perspective. To be relevant this perspective must reflect the perspectives of important parts of the World Co-operative Movement.

This is not a true research project in the academic sense. I will try to use a combination of normative and positive approaches: The leading character of the project will be normative

\*Sven Ake Bök is ICA Project Director, Basic Values Research Project.

and it will result in a main report of estimations and judgments. On the other hand these will, as far as possible, be built on findings and empirical observations from co-operators, co-operative organisations and co-operative research.

In fact, in order to emphasise the normative character, the final issue of the project should more correctly be worded like this: What should be the basic values for the future and what should be the basic co-operative principles against that background?

## 2. Why this Follow-up Task

As a research oriented person, I must stop for a while and consider the motives. Because the motives tell something about the expected results. Why has the International Co-operative Movement, through the ICA, de-

cided, to "search for its soul" now as it is poised at the threshold of a new century?

I have encountered the following motives in this starting up phase of the project:

Firstly, the co-operative principles have more or less remained the same since the beginning. They are mainly connected to consumer co-operatives and credit co-operatives based on the Rochdale and Reifeissen values. Today the pattern of the World Co-operative Movement has changed, particularly since the 60s. New generations of co-operators with new experiences have joined the movement. New co-operatives and new types of co-operatives are emerging and the main part of the World Co-operative Movement is not any longer located in Western Europe. Are these principles, and the values behind, still valid?

Secondly, there are the increasing problems of co-operative identity, partly within the Co-operative Movement itself, partly in relation to the environment. What do we basically represent as co-operative organisations? How could we explain the true character of co-operative organisations, e.g. to the State, in order to get proper respect in conditions for development, in legislation, taxation and in measures of economic policy?

Thirdly, in adapting to the changing environment, the co-operative organisations have experienced increasing difficulty in expressing and maintaining co-operative values and principles. The co-operative values and principles might even to some extent be regarded

as too old in the contemporary society and as such even as undue restrictions and obstacles to an efficient performance.

Fourthly, the co-operative organisations have felt and experienced, that they have to express themselves more clearly in order to engage more people, particularly young people, for the co-operative contribution to the future society. What are then the most important and relevant values for the co-operative organisations to stress and to develop towards the year 2000?

These are important motives. I definitely consider it as crucial today to pay attention to the value issues. I believe that a consciousness about the basic co-operative values and principles, and an agreement on them, are pre-requisites for good co-operative performance.

### **3. Two Purposes**

Against this background the project has two main purposes:

- a) To serve as a basis for discussion and review at the ICA Congress in Tokyo 1992 of co-operative values and of the need to change the co-operative principles. If the Congress decides there is a need to change the principles, the ICA Executive will need to make a further study on such changes for a presentation to the Congress in London in 1995.
- b) To initiate and encourage a process of consideration and development among the co-operative organisations on how to apply co-operative values and principles in order to improve co-operative performance

and co-operative (economic) efficiency.

I will be assisted by an Advisory Committee with members appointed by the ICA Executive. This Committee will serve as a reference group to the project and the members are the following:

- Philip Chilomo, Zambia
- André Chomel, France
- Dante Cracogna, Argentina
- Morley Fletcher, Italy
- Teruka Ishikua, Japan
- Raija Itkonen, Finland
- Janos Juhasz, Hungary
- Alexander Krashenninikov, USSR
- Dionysos Mavrogiannis, ILO
- Hans Münkner, W. Germany
- Ian McPherson, Canada
- Lloyd Wilkinson, U.K.

In my work I will rely substantially on seminars, conferences, hearings and interviews in order to get a relevant and practical point of departure. And in this part of the work I hope to get help from the Advisory Committee, the ICA Specialised Committees and Working Parties and the ICA Regional Offices. Of course, I also hope for assistance from co-operative organisations, interested co-operators, co-operative researchers and co-operative research institutions.

#### 4. Crucial Context

The project will highlight various views on the basic values, discuss problems of applications, search for agreements on the basic core of values, study the principles against this background and finally make recommendations.

In order to make the project practi-

cally relevant, I will initially endeavour to relate to problematic aspects of the Co-operative Movement. From my earlier experience and from my discussions with co-operators I have selected some contexts, within which I plan to analyze the values and principles, with particular emphasis on the problems of applications. But I also want to collect and express the good examples for the future.

For the time being I have selected the following contexts:

- Types of co-operative environments
- Capital formation
- Conditions for democracy, participation and mobilisation
- Co-operatives and the State
- Economic efficiency
- International co-operation
- Benefits for members and benefits for the society at large
- New areas of activity
- Value changes in society

I will try to highlight co-operative values and principles within these contexts. I will try to find out the crucial problems from a "value and principle perspective". And I will estimate the needs to change, or at least to re-interpret the values, and to revise the principles.

*As you will understand I feel humble before this task and I need all the help I can get. If you feel you can be of assistance please contact me or send relevant details to:*

ICA Basic Values Project  
ICA, 15 route des Morillons  
1218 Geneva, Switzerland

## Delhi Social Functions (Cont/d)



*Having your fortune told, or even watching, can be thirsty work*



*How do you do?*

# 1995 - International Year of Co-operatives

*At the 29th ICA Congress, held in Stockholm Sweden in 1988, the International Co-operative Alliance adopted a resolution to urge the United Nations "to declare an International Year of Co-operatives, preferably to coincide with the centennial of the birth of the International Co-operative Alliance in 1995."*

*Since then the ICA Member Organizations, President, Director, Secretariat and UN Representatives have been working towards this goal. MariaElena Chavez Pirson, Liaison Officer with the United Nations Organizations at ICA Secretariat, reports on activities to date:*



United Nations NGO Liaison Officer, Ms. Virginia Saurwein, to determine a more precise and detailed strategy for the declaration of an International Year of Co-operatives in 1995.

## **1. Contacts made by Members**

Organizations in the following countries have contacted their governments requesting support for the declaration of an International Year of Co-operatives: Argentina, Canada, Czechoslovakia, Finland, France, The Gambia, Iceland, India, Italy, Japan, Poland, Sweden and USSR.

## **2. Contacts made by President**

The ICA President has contacted the Swedish Ambassador to Non Governmental Organizations (NGOs) who is presently the Chairman of the United Nations Economic and Social Council (ECOSOC) Committee on NGOs.

## **3. Contacts by the Secretariat**

The Liaison Officer has contacted the

## **4. Contacts made the by ICA Representative in New York**

The ICA representative to the UN has made contacts with the UN secretariat, UN delegates, and US State Department officials.

## **5. Decisions**

The Executive Committee, at its meeting in New Delhi, October 1989, reviewed the possible strategies recommended by the Secretariat and decided that the following would be adopted:



A proposal should be made to have the Declaration of the International Year of Co-operatives placed on the agenda of the UN General Assembly in September 1990.

In compliance with UN regulations, the correct procedure is the following:

The proposal must come from UN member governments in the form of a letter stating the reasons for the declaration of such a year. This request can be made up until the opening of the United Nations' General Assembly in the third week of September. The same governments should introduce the resolution for the declaration of the year.

Should the resolution be accepted, the General Assembly would request member governments, specialized organizations and NGOs for their suggestions for programmes and activities.

Should the resolution not be accepted the General Assembly would instruct ECOSOC to ascertain the interest of governments in the form of a questionnaire.

The responses would be examined at the following session of the ECOSOC and a Secretary-General Report would be issued.

Should there be enough interest, the Secretary-General would request the General Assembly to declare the year and decide on the programme and

activities, taking into account suggestions from UN member governments, specialized organizations and NGOs.

Once the programme were agreed upon the year would be officially declared. This would be in 1993 at the latest. At this point the ICA could become active in assisting the UN secretariat coordinate the year.

If the resolution were not accepted, the same procedure would have to be introduced at the next session of ECOSOC.

## 6. Actions

a) The ICA will contact all member organizations requesting that they approach their governments to obtain support for the declaration of an International Year of Co-operatives.

Once responses are obtained, the Secretariat will determine which government or coalition of governments would be prepared to introduce a resolution to the General Assembly.

b) The Secretariat will draft a resolution for the declaration for an International Year of Co-operatives for approval at the next Executive Meeting.

A letter will also be drafted requesting the General Assembly to place the item of the Declaration of the year on the agenda.

# Movement-to-Movement Action and Third World Debt

by Jack Shaffer\*

An offer by a major New York bank to consider investment of a portion of its debt holdings in the Philippines in co-operative enterprises in that country has led to a major new movement-to-movement initiative on the part of the International Co-operative Alliance, in collaboration with the World Council of Credit Unions - The Debt for Co-operative Investment Service.

Under an agreement between the chief executives of the two organizations the Debt for Co-operative Investment Service began work in mid-1988 to explore the bank offer regarding Philippine co-operatives. It has since branched out to identify and explore similar opportunities in some 45 developing countries which are currently having serious economic problems, including an inability to meet repayment obligations on their foreign debt.

One result of the growing problem of debt repayment has been the emergence of a "secondary debt market" in which the debt of developing countries is bought and sold at discounts ranging from 2 per cent to 97 per cent of their face value. For example, in the following ICA member countries in



September 1989, US\$ 100 of debt paper could be purchased for the following amounts:

	US\$
Argentina	14.50
Brazil	31.50
Cote d'Ivoire	6.00
Egypt	55.00
Jamaica	42.00
Liberia	20.00
Mexico	42.75
Morocco	45.50
Philippines	50.00
Poland	38.00
Senegal	47.00
Somalia	25.00
Tanzania	20.00
Uganda	20.00
Uruguay	55.00
Yugoslavia	53.00
Zambia	20.00

\* Jack Shaffer is Programme Development Advisor to the ICA and the World Council of Credit Unions.

These discounts represent the collective judgement of the financial community as to the potential of individual countries to ever fully meet their loan repayment commitments.

Because of the magnitude of the problem<sup>1</sup> the creditors have responded in various ways to protect their interests and to minimize potential losses. Among the approaches taken have been various kinds of debt for equity swaps. In these cases debt paper is purchased by investors at its discounted value. This debt paper is then presented to debtor governments which redeem it in their own currency at or near face value using existing official exchange rates. These local currencies are then invested in or, in some cases, on-lent to enterprises within that country. Most such debt for equity swap agreements contain provisions that permit, after an agreed period of time, profits from the local enterprise to be repatriated in "hard" currency by the Central Bank of the country involved.<sup>2</sup>

Initial discussions of the possibilities for such debt for equity swaps involving co-operatives in the Philippines began at the ICA Congress in Stockholm in July 1988, and were formal-

<sup>1</sup>Third World debt now exceeds US\$ 1.3 trillion, including more than US\$ 514 billion owed to private lenders, mainly banks in industrialized countries.

<sup>2</sup>In a number of cases where a debt holding bank is involved directly in a debt swap investment, the bank will utilize its own debt rather than purchasing debt on the secondary market. In these cases the bank accepts repayment of a portion of its debt holding in local currency rather than in dollars, cancels that debt, and then invests in local enterprises.

ized during a visit of a Debt for Co-operative Investment Service official to the Philippines in September 1988. At that time the various interests and needs of Philippine co-operatives were assessed, and explorations begun as to how debt conversion investments might be utilized to meet these.

After a subsequent visit to the Philippines in November 1988, these co-operative interests were outlined in a prospectus, "Some Financing Needs and Opportunities - Co-operative Organizations in the Philippines", and discussions began with the debt conversion officials in the Central Bank of the Philippines and subsequently with six major international banks holding Philippine debt.

The Philippine prospectus included a variety of potential co-operative investments totalling US\$ 146,250,000. Among these were a proposed US\$ 20,000,000 investment in a co-operative financial intermediary, which was regarded as a precursor to a co-operative movement originated co-operative bank; a US\$ 25,000,000 investment in a co-operative housing venture was proposed. Also included was a package of investment opportunities involving a variety of co-operatives related to foreign trade. These trade-related investments, totalling US\$ 99,000,000, included such diverse product lines such as prawns, rattan furniture, tropical fruits, sugar and mining. Smaller debt conversion investments were envisaged for the Co-operative Insurance System of the Philippines (US\$ 750,000), and for a joint project of the Philippine Federation of Credit Co-operatives and the World

Council of Credit Unions (US\$ 1,000,000). US\$ 1.5 million was also sought for a loan to construct a proposed Philippine Centre for Co-operative Development. In each case it was contemplated that the investment required would be made in Philippine pesos obtained through the purchase and conversion of Philippine government debt. As Philippine debt is selling at roughly a 50 per cent discount, each investor could obtain the dollar value of the peso investment at roughly one-half of the dollar cost.

To date progress on the Philippine co-operative proposals has been slow but steady. An application has been submitted and is in the final stages of consideration for the debt conversion involving the World Council of Credit Unions and the Philippine Federation of Credit Co-operatives. Funds for this transaction will come from a grant to the World Council from the United States Agency for International Development (USAID). Allnations, an affiliate of co-operative insurance companies associated with the International Co-operative Insurance Federation, has agreed, in consort with other insurers, to consider a proposal for a loan to the Co-operative Insurance System of the Philippines. Two New York based banks have indicated a willingness to consider the two proposals involving investments in the co-operative financial intermediary and co-operative housing. Detailed investment proposals for these are now under development.

Utilizing a small grant from USAID the US Overseas Co-operative Development Committee, representing the combined co-operative development interests of the American movement, organized a work-

shop in December 1988 to explore details of debt conversion investments for co-operatives. Focusing on the co-operative situations in Costa Rica and Jamaica, two teams of representative of US co-operative development organizations visited these countries to confer with co-operative leaders and debt conversion officials, and to identify specific investment needs and opportunities involving co-operatives in each country. Pre-investment concept papers were developed regarding co-operatives in Costa Rica by Agricultural Co-operative Development International, National Rural Electric Co-operative Association and the World Council of Credit Unions. Similar proposals were defined in Jamaica by Land O'Lakes and the World Council of Credit Unions.

In May-June 1989 an official of the Debt for Co-operative Investment Service participated in three regional co-operative meetings in Africa to present the concept of debt conversion investments in co-operatives and to prepare the ground for subsequent, more detailed, survey visits. These visits would take place in countries whose co-operatives manifested an interest in further exploring the potential for debt conversion investments, providing capital with which to further their interests. Follow-up visits have been planned for Zambia and Nigeria.

In addition, preliminary discussions were held regarding additional conversions utilizing grant funds provided to the World Council of Credit Unions by USAID for credit union development projects in Niger and Togo. Discussions have also begun as to how the two ICA regional offices in Africa can utilize debt purchases and conversions as a way of enhancing the

value of funds provided by co-operatives and development agencies in Sweden, Norway and Canada for the operation of these offices.

In October 1989, the debt of Tanzania (where the ICA Moshi office is located) was selling for approximately 20 per cent of its value and that of Cote d'Ivoire (where the ICA Abidjan office is located) for 10 per cent of its value. In each of these cases, if it proves possible to use the already available programme for debt purchases and conversions as a way of currency exchange, it could result in multiplying their value in one case by a factor of five, in the other by a factor of 10.

In November 1989, in response to an invitation from the Supreme Co-operative Council, two representatives of the Debt for Co-operative Investment Service visited Poland to explore with co-operative leaders ways in which debt conversion investments could be of help in capitalizing co-operatives in that country. In October 1989, Polish debt was selling at 38 per cent of its face value. At this rate US\$ 1,000,000 would purchase US\$ 2,630,000 in Polish debt paper which, when converted into zlotys, would be available for co-operative investments in that country. Preliminary investigations suggest a potential for such investments in a number of industrial co-operatives, in housing, in agricultural and in co-operative credit institutions.

The ability of the International Co-operative Alliance and the World Council of Credit Unions, through the Debt for Co-operative Investment Service, to

readily identify debt conversion investment opportunities in such diverse places as the Philippines, Jamaica, Costa Rica, Zambia, Nigeria and Poland demonstrate the potential resource this may prove to be for co-operatives. The opportunity to convert foreign debt of countries, and to make local currency investments in commercially viable co-operative enterprises, offers to distressed private banks and to financially vulnerable governments a way to partially ameliorate their problems. It represents to co-operatives in developing countries a new source of capitalization for pursuing their interests. For established co-operatives in industrialized countries willing to consider investments in co-operatives in these countries it represents an unique opportunity to obtain and use venture capital at significant discount.

The Debt for Co-operative Investment Service, a movement-to-movement mechanism designed to identify, facilitate and broker such debt conversion investments, is made available by ICA and the World Council of Credit Unions to assist co-operatives in both the developing and industrialized worlds to take advantage of this opportunity. Co-operatives wishing to explore the relevance of this mechanism for their interests can contact the Debt for Co-operative Investment Service at the following address:

*801 - 15th Street NW - Suite 300  
Washington DC 20005  
Tel: (202) 682-5990, Tlx: 467918  
Cable: WOCCU MSN  
Fax: (202) 682-9054.*

# ICA Ministerial Conference and Trade Exhibition

Sydney, February 1990



ICA will hold a Ministerial Conference and Trade Exhibition for the Asia-Pacific Region from 8 - 11 February 1990 at the Sydney Exhibition and Convention Centre at Darling Harbour, hosted by the Australian Association of Co-operatives.

## The Conference

This Ministerial Conference is sponsored by the ICA Regional Office located in New Delhi, India, serving member co-operatives from 17 countries located in Asia and the Pacific. It is a follow-up to consultations with Permanent Secretaries and Government Officers held in Singapore in June 1988 on the theme "The Role of Government in Promoting Co-operative Development in Asia".

The specific objectives of the Conference are:

- to formulate goals and strategies of National Governments and National Co-operatives to strengthen genuine co-operative organizations capable of rendering efficient service to their members:
- to recommend collaborative strategies and action plans for regional and international trade among co-operative movements across national boundaries:
- to consider the scope of an International Financing System for supporting international co-operative trade, joint ventures and other economic development projects of co-operative movements.

Keynote speakers will include, **Rt. Hon. R.J.L. Hawke**, Prime Minister of Australia or his nominee, **Hon. John Kerin**, M.P., Minister for primary Industries and Energy or his nominee, **Jurgen Von Mural**, Director, Sectoral Activities Department, General of the International Labour Organization, **Lars Marcus**, President of ICA, **Bruce Thordarson**, Director of ICA, and **G.K. Sharma**, ICA Regional Director for Asia and the Pacific.

### **The Host Organization**

The Australian Association of Co-operatives is delighted to host the International Co-operative Alliance Ministerial Conference and Exhibition, Asia-Pacific Region.

The Darling Harbour Exhibition and Convention Centre has been especially selected as the venue. We are certain that both visitors and Sydneysiders will enjoy the excellent facilities available at the Centre.

### **Venue - The Darling Harbour Convention and Exhibition Centre**

The Official Opening of the Conference and Exhibition will be held in the spectacular Auditorium at the Convention Centre. The Auditorium can seat up to 3,500 persons in air-conditioned armchair comfort and is equipped with state-of-the-art technology.

The Conference sessions will be held in the Darling Harbour Convention Centre, adjacent to the Exhibition Centre.

Darling Harbour covers 54 hectares on the shores of Sydney Harbour, at the doorstep of the city. Built by government and private enterprise, at a cost of A\$ 1.5 billion, Darling Harbour is hailed as one of the greatest urban redevelopment projects in the world.

Public transport to Darling Harbour is made easy by the monorail which connects with the city centre within minutes. There is also a frequent ferry service as well as taxis - water or land.

### **Post-Conference Study Tours**

Two Study Tours are offered to delegates. The tours will incorporate visits to several N.S.W. co-operatives and will provide visitors with an opportunity to enjoy some local tourist attractions.

### **The Exhibition**

The International Co-operatives Products and Services Exhibition will run concurrently with the Conference. The site is the impressive Exhibition Centre at Darling Harbour. The exhibitors will come from Australia and the Asia-Pacific region as well as other overseas countries. They will represent a broad spectrum of co-operatives, covering producer and worker as well as wholesale, manufacturing, financial and retail co-operative products and services.

The Exhibition will be open from Friday, 9 February to Sunday, 11 February. The Official Opening of the Exhibition and Conference will take place at 10.00 a.m. on Friday, 9 February in the Auditorium at the Convention Centre and will include a cultural programme by participants from the Asian/Pacific region.

*For further information please contact Bruce Gunn or Berridge Hume-Phillips at the Australian Association of Co-operatives PO Box a 231, 154 Elizabeth St., Sydney, Tel: 612 264 9522, Tlx/FNSW AA 75303, Fax: 612 267 3047; or the ICA Conference, PO Box N170 Grosvenor Place, Sydney. Tel: 612 357 2600 or Fax: 61 357 2950.*

# Changes in Co-operative Law

by Co-operative Union (KK) Finland

A change in the Co-operative Societies Act was passed by the Finnish Parliament on 7 November 1989. This change gives co-operative societies increased and more diversified possibilities to obtain financing on terms of shareholders' equity by giving members the possibility to invest profitably in their own society. Furthermore, the Act enables the societies to develop and change their corporate structure. The bill for the change in the Act was introduced by the co-operative apex organizations.

Co-operative societies and the Co-operative Movement have a significant position in the Finnish commercial and industrial life. There are more than 2,000 societies in Finland with some 2.5 million members with enterprises based on Co-operation in practically every area of industry and commerce. The total share of the GNP in the co-operative sector exceeds 10 per cent.

The solidity of the societies does not differ in any noticeable way from that of other types of enterprises. In relation to the turnover and to the extent of operations, however, it is necessary to bring the shareholders' equity of the societies to a new level. The fi-

ancing in terms of shareholders' equity has obtained a more significant role due to the rapid development of the capital market during the last few years. For instance, in 1987 and 1988 the exchange-listed companies acquired some 19 billions of capital through share issues.

The most significant improvement in the reform of the Co-operative Societies Act was the possibility of using the investment shares, making it possible to obtain risk-bearing capital from members and investors. The investment shares are long-term securities which assign a share of the society's property and thus of the growth in property and any subsequent increase in value. They provide suitable investment possibilities for both private persons and corporations. If the investment shares are to be an effective method for the acquisition and investment of capital they must have effective after-markets which are best assured by the positive economic development of the societies.

The investment shares are in many respects similar to the shares of limited companies, i.e. interchangeable securities with yields dependent on the surplus of the society. Non-mem-



bers can also purchase investment shares which give them an interest in the property of the society, but do not give the voting right.

Members have shown a certain interest in the investment operations, which give the owner-member a possibility to invest in his own society whose goals and basic values correspond to his expectations. The possibility of investing gives the member a reward in the form of the yield, in the interest on the share invested and in the increase in value.

The possibilities the societies have to change their corporate structure flexibly will be improved by giving the societies equal opportunities with the limited companies. Henceforward such

a merger will be possible also for the societies formed when several societies merge to found a new society (a combination merger).

The society also has a possibility of buying the minority shares in a limited company, the bulk of which it owns. Furthermore, the society can change into a limited company through a simplified procedure so that the same owners and the continuity of the accounting system are maintained.

The central co-operative organizations and the societies have been expecting the change in the Act to pass for several months and have already taken measures to establish investment subscribed capital. The new law became effective on 1 January 1990.



*Folk dancers entertaining ICA delegates at an evening reception.*

## Interview with Mrs. Józefa Palmowska Poland, Member of the ICA Women's Committee Executive

by Iain Williamson\*



*What can you tell us about your work for your own co-operative organization?*

I have been working for the Co-operative Movement for almost 30 years. I am a horticultural engineer. After I graduated from Agricultural University, at the age of 26, I accepted the position of vice-president for commodity turnover in the local Union of Commune "Peasant Self-Aid" Co-operatives. Then, in 1960, I was one of very few women entrusted with such functions in the Co-operative Movement.

At present I am Director of District Wholesale Enterprise of the "Peasant

\* Iain Williamson is Information Services Manager of the Co-op Union, Manchester, and Executive Member of the Working Party on Co-operative Communications.

Self-Aid" Co-operatives, supplying more than three hundred thousand people. They decided on my election for Parliament in 1985. I am a member of the Presidium of the Supreme Co-operative Council and Chairman of the National Committee of Women Co-operators.

*Is it unusual in your movement for a woman to reach such a high position?*

Today there is nothing unusual in it. In Poland many women work in high positions, both in professional leadership and in voluntary activities. Women and men have equal rights to promotion. The most important qualifications, particularly today, are having ability and the trust of the Co-operative membership.

*What is your organization doing to promote the role of women?*

Women are the organizers of their households, both in the cities and in the villages. Therefore, they are the main recipients of the work of our co-operatives - trade, service, production, banking and others. Women constitute 34 per cent, or 5 million, of the total co-operative membership and 1.2 million of these work directly in co-operative enterprises and other co-op bodies. Obviously, many hold responsible positions and carry out leadership functions at branch, board and national level and have high professional qualifications.

The co-operative organizations take an active role in improving the general and vocational qualifications of women. They try to influence living conditions in such a way as to make it possible for women to work in highly responsible positions, without neglecting their maternal role.

We pay much attention to educational activities. For example, we organize many courses in household economics. There are many "Practical Housewife" and "Modern Farmwife" co-operative centres, as well as clubs and children's centres sponsored by the Co-operative Movement.

*Tell us about your involvement in the ICA Women's Committee*

We try to participate in all the initiatives of the ICA Women's Committee. We take part in the elaboration of the committee's programme which we introduce into the work of the Central Committee of ICA and into our own organizations.

*Is there a special message you would like to convey to the ICA authorities regarding the need to further promote women into positions of leadership?*

I would like to popularize a saying which has proved correct in Poland: the Co-operative Movement cannot exist without women.

# Women and Co-operatives

by Raija Itkonen\*

In collaboration with the ICA, the International Labour Office and Centrosoyus (the Central Union of Consumer Co-operatives in the USSR) have organized two seminars for women from developing countries. The purpose of these seminars has been to examine women's involvement in co-operatives.

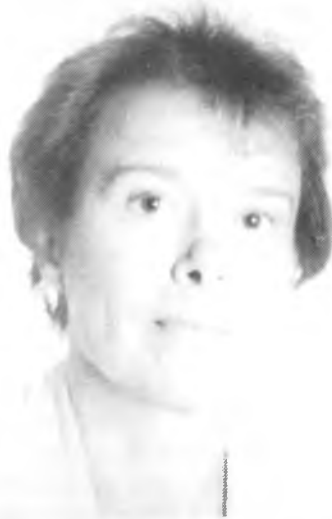
Both seminars were held in the USSR. The first seminar was in September 1986 with 21 participants from 13 Asian countries. The second seminar was in July 1989 with 25 participants from 21 African countries.

## ICA's Role

One of the objectives of the ICA is to promote Co-operation through the world. To facilitate the implementation of this objective the representatives of the ICA need direct contacts with people in various countries. The host organization, Centrosoyus, had taken this into consideration and invited Norah Willis and myself, the Chairperson of the ICA Women's Committee and the only female representative of the ICA Executive, respectively, to participate in both seminars. We were asked to brief the participants about the ICA and its policies, and about women in the International Co-operative Movement.

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Raija Itkonen is International Relations Manager of the Central Union of Consumer Co-operation in Helsinki, Finland and a Member of the ICA Executive Committee.



## Participants

According to the principles of the ILO the participants of both seminars represented governments, employees and employers. Furthermore, not only did they represent ministries, co-operative organizations, women's organizations and trade unions, but also different levels of work.

## New Perspective

Although I have been involved for almost 20 years with matters relating to development work in my own Co-operative Movement in Finland and in various Nordic development advisory and supportive committees, my direct experience of problems of developing countries is limited to one visit to Tanzania 10 years ago. Therefore, personal contacts, direct information and concentration on the con-

ditions and problems of women in developing countries made possible during these two seminars, have given me a new and a clearer perspective. The experience is all the more valuable because the perspective was provided by that part of humankind whose voice and ability to influence development is still very limited but whose knowledge and needs to find ways to channel that knowledge are immeasurable.

### **Problems of diversity**

The majority of participants were fluent in English, the working language of the first seminar. They were able to communicate freely which eliminated tension, and there was ample evidence of spontaneous empathy. There were, of course, differences of opinion, in addition to the different cultures, religions and personalities involved. However, the feeling of unity and friendship which existed was gratifying and memorable.

The second seminar did not have quite the same atmosphere. Participants represented three language groups - English, French and Portuguese. Consequently, the group was much more heterogeneous, communication was more complicated and interpreters were needed and spontaneous conversation was in many cases impossible. There was unfortunately suspicion, tension, even fear - perhaps a relic of colonial times - but certainly also joy and constructive unity. Moreover, we learnt that words are not always necessary, it is possible to express opinions in many other ways, for instance using eyes and hands.

For some participants the seminars were an adventure, the first trip away from the home village, a new experience both mentally and physically. Other participants were privileged, experienced and self-confident.

### **Expectations**

It is not very often that women from so many different countries can come together to discuss their role at home, at work and in the Co-operative Movement. Expectations regarding the results of the seminars varied considerably depending on each participant's background and experience. There were prejudices and even doubts regarding the opportunities offered by Co-operation to promote and encourage equality of women, but there were also requests, wishes and demands.

### **Objectives**

The basis of the seminars was legitimate: co-operatives need women and women need co-operatives. But seminars, programmes and projects tend easily to become an end in themselves. Since the Women's Development Decade, funds are available and programmes for women are a common occurrence. This is, of course, commendable and a step forward. However, discussion at these two seminars among experienced participants revealed the fear that programmes could be in danger of being implemented where there is not a real need.

I believe, therefore, that planning and preparation should receive very serious consideration using the ideas and experience of the women themselves as a starting point. Exchange of infor-

mation and experience and creation of networks between women in various positions could be valid reasons. The feedback from the first seminar provided ample proof of this.

### **Ideas for the Future**

What do women want of development work? It emerged from informal discussions that took place during breaks and while travelling together that participants wanted more time together, to listen to each other, to compare their problems and to find

practical solutions. While self-help remained the basis of collaboration, there was a wish to collaborate more with others in similar situations and at the same level of development.

The models and methods of established movements in advanced countries were considered too far removed and superfluous to the needs of developing countries. Therefore, a dialogue between participants from developing countries was considered to be the most useful.



*Norah Willis chairs the Women's Committee meeting in New Delhi assisted by Muriel Russell*



# Henry J. May

## 16 July 1867 - 19 November 1939

### General Secretary of the ICA 1913 - 1939

by Rita Rhodes\*

During its history the International Co-operative Alliance has passed through many crises. Particularly severe were those created by the two World Wars and the Cold War which divided nations and international movements.

International working class movements fared badly. The ICA survived but this was due to a number of factors, important among which was the part played by Henry May, General Secretary of the Alliance for 26 of its first 50 years. He took up the position in 1913 at the age of 46, a year before the outbreak of the First World War, and died in office in November 1939, two months after the outbreak of the Second World War. During that time he established a firm administrative base in the Alliance. But, perhaps more important, he played a major part in steering it through the aftermath of the 1914-18 War and the international crises of the 1920s and 30s.

Dr. James Peter Warbasse, the USA Co-operative leader, described May at the 1921 Basle Congress, the first to be held after the 1914-18 War:

\* Former university lecturer of co-operative studies at Magee College, Ulster University, Educational Officer and Secretary to Women's Committee at ICA, Rita Rhodes is currently a Co-operative Consultant.

"To have assembled these various elements from countries rankling with after-war hostility was a significant accomplishment. At that Congress I saw Frenchmen greet Germans, and I saw a German salute Henry May, its Secretary, and felicitate him upon the event. On that occasion I realized what Mr. May had done. It had been his organizing ability that had accomplished this union of estranged people. And what was more, it had been his genius that had held together the members of the Alliance, of all countries, during the dreadful years of the war....."

November 1989 marks the fiftieth anniversary of May's death. It therefore seems an appropriate occasion to pay the respects of a later generation of co-operators and to recall the achievements that Dr. Warbasse mentions along with many others.

Strangely, in view of his contributions to international co-operation, Henry came on its scene almost by accident. He did, however, have a strong co-operative background. At 13 he began working in one of Britain's largest consumer societies, the Royal Arsenal. Although he left its employment to become an engineer, he retained his links by becoming a member of the



society's Management Committee. Later he joined the Co-operative Union as its Southern Sectional Secretary and later still became its Parliamentary Secretary.

For its first 15 years or so the Alliance had no permanent General Secretary. When the post was advertised in 1911 it attracted 17 applications. The Executive interviewed six candidates, from whom it selected three to appear before the Central Committee. However, when that met at Ostende, it failed to agree on an appointee and gave the Executive a free hand to make what alternative arrangements it could.

These consisted of approaching Dr. Hans Muller of Zurich to see whether he would consider taking on the position. Previously, he had been Continental Secretary to the Alliance as well as the first Editor of the Bulletin (later Review). He had also produced the first Directory of the Co-operative Press and the first Co-operative Year Books in 1909 and 1910 respectively. This work had been carried out in Zurich while a London office had been retained for the organization of meetings and congresses and the collection of subscriptions.

As far as the newly created position of General Secretary was concerned, Dr. Muller indicated that he was prepared to accept the Executive's offer and move to London. However, within a few months he fell ill and had to return to Zurich. This was at a most difficult point in time. It was during the run up to the 1913 Glasgow Congress and there was an urgent need to find someone who, at short notice, could

take over the preparation and administration of the Congress. Had the Congress been held anywhere else other than Britain, the outcome of who was to replace Muller as General Secretary might have been quite different. As it was, the nearest member organization that could possibly help was the British Co-operative Union. They agreed to make available their Parliamentary Secretary, Henry May, to prepare Congress documentation, supervise the bookings and later produce the Congress Report. In this work he so impressed the Central Committee that it went on to ask him - with the agreement of the British Co-operative Union - to become the Alliance's General Secretary.

May asked for time to consider this but eventually accepted. One can only speculate about his hesitation. One factor may have been his lack of languages. He agreed to learn French and became proficient in it but for all his work in German he was to require translation facilities.

One of his first jobs in the Alliance was to implement the 1913 Glasgow Congress Peace Resolution. Today it is axiomatic that the ICA is concerned with world peace and regularly passes Peace Resolutions. But that was not always the case and there had been no such Congress resolution before 1913. Even then, with the growing fears of war, some in the Alliance doubted the wisdom of a peace resolution, fearing that it would prejudice their political neutrality and appear to link them too closely with the Socialists who were the most vociferous in anti-war and pro-peace sentiments.

Despite such hesitations, the Alliance's first Peace Resolution was passed at the 1913 Congress, the last to be held until 1921. The Resolution therefore became the cornerstone of the ICA's policy during the war and Henry May its custodian. He had to operate in an Alliance whose methods of communication were hit by the war. It was not only a question of disrupted or censored postal services, but also of having to use intermediary channels. G.J.D.C. Goedhart, the Dutch co-operative leader, who was to be ICA's President from 1921 to 1927, became an important link between co-operative movements in belligerent countries and the Alliance, a function he was able to carry out from neutral Holland. Through Goedhart, May was able to maintain contact with Heinrich Kaufmann and other German co-operative leaders. Throughout the war personal friendships continued and expressions of condolence were exchanged when loved ones fell in the fighting. For example, Kaufmann's son was killed at the Battle of the Somme in 1916. But at an official level the talk was of implementing the 1913 Peace Resolution and the maintenance of co-operative neutrality and unity despite the war. To many co-operators the war was really one between capitalists, militarists and imperialists. True, co-operators were caught up in it but it was not their war. They believed that afterwards, when the co-operative system once again advanced and eventually superseded capitalism, the risk of war would decline.

One factor maintaining this co-operative sense of identity was the contin-

ued publication of the ICA Bulletin in English, German and French each month. May's job included the Editorship of the Bulletin, a dual function that he maintained until his death. Through its continued publication May showed that, in addition to his considerable administrative abilities, he was also a robust and eloquent writer. When reading some of his articles one can accept the view of Sir Thomas Allen, Vice President of the Alliance 1921-1934, that May "..... was the great adventurer, the supreme missionary" of the ICA.

The war complicated the production of the Bulletin. Editions in German lapsed for one year and those in French for two but both were appearing monthly once more by 1916. Under the new system, May prepared copy which was then sent via Goedhart in Holland to Germany for the German edition and direct to Switzerland for the French counterpart. In Germany and Switzerland copy was translated, printed and distributed. Censorship and an embargo by the British Government on printing and distributing anything in German made such round-about arrangements necessary. That they were successful during the war says much for ICA member movements' wishes to maintain a corporate identity. The arrangements also said much about May's administrative and literary skills that could produce a publication acceptable to co-operators whose countries were at war.

In the post-war period May showed other qualities, particularly those of diplomacy. These were shown when some member movements pressed for

an early meeting of the Central Committee or even a Congress at the end of the war. However others, and May was among these, feared that such gatherings could be premature if wartime recriminations persisted. Consequently, the Central Committee did not meet until 1920 and Congress until 1921. Despite the good personal relations that had existed between co-operators during the war, there was lingering hostility particularly between the French, Belgians and Germans. Most co-operative movements had managed to hold their own during the war and some to actually increase their trade and national standing. But the Belgian movement and that in Northern France had been decimated by the German occupation. May was anxious to minimize the risk that recriminations could damage the Alliance. Even so, France and Belgium were to invade the Ruhr in 1923. This was an attempt to ensure that Germany continued to pay war reparations. A consequence was that co-operatives in the region were badly affected. The German movement issued a manifesto denouncing the occupation and demanded that this be published in the ICA Bulletin. Initially, May agreed but Goedhart, by now President, urged him to make modifications so as to avoid offence to co-operators in other countries. The incident illustrated the sensitivity with which it was felt necessary to conduct post-war relations in the ICA. But there was an interesting twist. When the Executive met, both French and Belgian members expressed the view that the German statement should have been produced in its original form.

In addition to May's skills in these situations, he also showed considerable stamina, travelling extensively in the 1920s and 30s. His journeys were mainly within Europe but included one to North America. They arose from his servicing meetings of the Executive and Central Committees and organizing congresses in Basle, Ghent, Stockholm, Vienna, London and Paris. In addition, he also represented the Alliance at many congresses of member movements. He became known as the friend of many smaller movements which he visited in this way. Only a few months before he died, he was in Estonia for such a congress. However, a disturbing element that grew in May's travels was his need to help movements coming under political threat.

The 20th century has been characterized by a massive clash of ideologies. Decline in Liberalism was followed by the emergence of Communism at one extreme and Fascism at the other. The gentler creeds of Socialism and Co-operation had to decide where, in between, they fitted. Despite avowals of religious and political neutrality and the reaffirmation of Co-operative Principles between the Vienna and London Congresses of 1930 and 1934, a number of co-operatives became Socialist, Communist or Fascist. Obviously that had repercussions on eligibility for ICA membership. As General Secretary, May was at the sharp end of these difficult decisions. However, he was shrewd enough to take refuge in constitutionalism and kept strictly to the Rules of the Alliance.

It was when the ICA received a direct appeal for help from political oppression that the Executive would ask May to make representations on their behalf. Often this involved additional journeys as, for example, when he visited Milan in 1926 to help Italian Co-operators regroup after Mussolini's dissolution of the LEGA. The journey there was not without incident. Writing later to Goedhart, May reported that, during the train journey from Geneva to Milan, my 'carte de visite' was abstracted from the carrier on my luggage during my absence in the restaurant car for lunch. I am convinced that this abstraction was made by a Fascist agent.....and our Italian friends were satisfied that I was being shadowed during the whole of my visit."

Seven years later, May was in Germany on a similar mission when storm troopers prevented him entering the offices of the Central Union of Consumers' Societies. Discussions with its Board led to the conclusion that outside intervention was more likely to worsen rather than improve their situation and May withdrew.

A year later and on another mission, May was able to make more effective representations in Vienna when Austrian societies also found themselves in difficulties. In fact, May was received by the Austrian Chancellor, Dr. Dollfuss, who agreed that the Government would lift its control of consumer societies if they would limit

themselves to economic, social and educational activities.

Other international crises, such as the Spanish and Czechoslovakian, also marked the road to the 1939-45 war. May was again involved in representations but these were made in writing rather than in person.

The approach of the Second World War must have been disheartening in the extreme for May. By 1939 he was 72 years of age although the vigour of his writing, his journeys and overall control of the Alliance's administration belied this fact.

During his last year, his writings in the Review show that he was much concerned with questions of peace. But when war was declared in September 1939, May was already looking beyond its end and urging a "more intensive campaign of recruitment to the ranks of the Alliance of Movements of Co-operation now developing on other Continents than Europe". His final contribution to the ICA was an article in which he listed what he thought should be the Alliance's war-time tasks.

He died suddenly on 19 November 1939.

"So he passed over, and all the trumpets sounded for him on the other side."

*John Bunyan, Pilgrim's Progress, Part II.*



## Book Reviews

### Consumer Co-ops in a Changing World

Edited by Johann Brazda and Robert Schediwy

Published by ICA, Geneva, 1989, 1105 pages, two volumes, Price SF 30.00.

Reading the last pages of this book just after the bloody end of Ceausescu of Romania, surely the most tyrannical of all the dinosaur regimes toppled East of the Berlin Wall, it is impossible not to reflect that the "people power" which is now changing the political map of Europe is the same "people power" upon which the co-operative movements of the industrialized world were founded.

It is the ordinary people who have cocked a snook at their corrupt leaders, just as it was a hundred years ago and more when they set up consumer co-operatives in defiance of the corrupt excesses of the capitalist world.

But if the people power of Eastern Europe is now very much in the ascendancy, the picture in the West - as reflected through the co-operative movements of Europe - is less rosy. For the harsh fact is that many of the countries where consumer co-operation once prospered to the point of apparent invincibility are now seeing

a battle for its very survival. In other countries that battle is already lost.

So what is going wrong? What is happening to the people's dream, the alternative to capitalism, the co-operative commonwealth? This immense and remarkable book helps us towards an answer. It is an examination of the rise and all-too-often fall of co-operative movements in ten industrialized countries, nine in Western Europe and the other Japan, and (with very few exceptions) it makes compulsive but depressing reading.

Meticulously, the book roams from country to country, charting the birth and successful growth of movement after movement, followed almost inevitably by stagnation, decline and in several instances collapse. Belgium, the Netherlands, then West Germany and France - to lose one movement may be regarded as a misfortune; to lose as many as Europe has can only be regarded, to misquote Oscar Wilde, as carelessness.

As the editors point out in their introduction, up to the 1960s the co-operative world seemed to be in order. But thereafter a number of factors developed and coincided and eventually turned the whole world upside down.

The words and phrases keep cropping up again and again as we move between the co-operative movements on which the book focuses: a culture of not facing problems; property reserves which cushioned early losses and made it easier to ignore the crisis to come; payment of dividend long after the profits have dried up; tensions between parallel organizations at a central level; strong regional co-ops resenting "subsidies" to the weaker societies; privileged relations with trade unions; a reluctance to close loss-making shops; cumbersome bureaucracies which failed to adapt the most pragmatic and "technocratic" approaches. The story of each country's movement is very different, and yet there are so many common threads interwoven.

Although every chapter contains a lucid narrative together with a mass of statistical data and analysis, it is perhaps right that the demise of the French movement is covered in the greatest depth, for here is chronicled a failure of co-operation among co-operators which makes the most chilling reading of all, but with sub-headings such as "Sale of the family silver" and "News out of a silence" which will hold the reader as firmly as any detective story.

Here it is that "the culture of not facing problems" is highlighted most

strongly (although goodness knows, as the book fairly points out, the British movement was crippled with this disease for long enough too, until we finally got to grips with the problems of loss-making societies and out-dated shop structure in the early 1980s).

In 1976, ten years before the French movement's demise, a leading professor presented a paper to consumer co-op managers postulating two possible scenarios, one rosy and one black, for the movement in 1989 - the 200th anniversary of the French Revolution. The rosy view saw the group in 1989 as the leading force for social and economic progress. The black scenario forecast the total collapse of French consumer co-operatives in the face of giant and efficient competitors, a split between the large regional co-operatives, and liquidation of the central wholesale society.

The black scenario has turned out to be an uncannily accurate forecast of what happened in France, yet it is alarming to learn that many of the managers at the meeting when the paper was presented received the professor's warning with total fatalism. As one former co-op leader interviewed for this book remarked: "Everyone knew that the big crash was coming, but everyone hoped that it would not happen until his own working days were over. It was a *"danse macabre"*.

Perhaps an even more alarming aspect to come out of the shabby story of the French collapse is the news clampdown which surrounded the

entire period, As the author of this chapter points out, co-operatives in other countries, which could have helped a rescue operation to prevent at the very least some of the French assets from being sold too cheaply, were kept in total ignorance, as indeed was the ICA. The French media virtually ignored the story too, even the fact that several hundred thousand co-op investors had lost their capital. Depressingly, the attitude overall appears to have been one of sheer disinterest - many French consumer co-operatives have died in silence and some are still about to do so.

Of course, and as the book rightly notes, several large and financially strong regional societies still remain - notably those based in Saintes and Strasbourg - and their professionalism and businesslike approach do offer real hope for co-operative expansion in France in the future.

The overall failure in France points to the dangers facing large and even successful co-operatives everywhere - the remoteness from the grassroots membership, the conflicts between powerful regional societies and central organizations, the difficulties of reconciling democratic structures with the need for strong and professional management in a fast-moving business environment, and perhaps above

all the lack of a genuine and fulfilling role to play in an era when capitalism has gained such a dominant position.

The authors of the book look desperately for signs that co-op movements in Europe are learning from the lessons of the past, and they do find some reasons for hope. But it is Japanese co-ops, with their "green" and progressive image appealing to the new middle classes, which they regard as offering the greatest prospects for future success - the role model for the 1990s, perhaps.

The ICA has shown great courage in publishing a work which so honestly and openly examines the foibles and follies of its member organizations. The "changing world" referred to in the title has already turned a few more somersaults than anyone could have imagined a few weeks ago, and as a result co-operatives in Eastern Europe now face as difficult a time as those in the West as they too begin to grapple with the realities of the competitive world in which we operate.

The clear message is that what has been experienced is not a failure of co-operation but a failure of co-operators. We owe a great debt to people power - but have we the people powerful enough to get it right next time?

*Iain Williamson*

## New Views of Co-operation

edited by Stephen Yeo

Published 1988 in UK by Routledge, 276 pp.

The book, "New Views of Co-operation" edited and partly written by Stephen Yeo, is a compilation of studies on the history of Co-operation in England. The authors aim to reinterpret the place of working-class associations, with particular reference to the Co-operative Movement, as an element of popular culture. The publication is the result of broad practical experience in the field of historical research and shows the outstanding expertise of the authors in this specific subject.

The book consists of a series of essays each dealing with one particular topic, e.g. the situation of women in co-operatives, cultural and philosophical aspects of Co-operation, Co-operation in the political context, as well as studies of noted co-operators - King and Holyoake. All essays are introduced by Stephen Yeo, giving the book a unity of tone.

The studies emphasize working-class potential for the material development, as well as the ability of co-operatives to create a system of values which form the basis of the new proletarian culture.

The essay devoted to the story of Dependents, a religious sect born in the 1850s, presents the key aspects of

their doctrine, of which Co-operation was a part. Another focuses on the life and work of a shoemaker poet, John Wall, who was deeply involved with the Co-operative Movement in Bristol in 1880s. The chapter on the national co-operative festivals effectively combines a considerable amount of data with a vivid tapestry of a flourishing alternative culture.

The book overviews the role of women in the Co-operative Movement, stressing attempts by the Co-operative Women's Guild to rationalize and simplify household tasks, in order to leave housewives free for work or leisure activities outside the home. A study of initiatives taken by the Guild regarding controversial issues such as the divorce law reform, maternity benefits and minimum wages, is also very interesting reading. The Guild's commitment to radical politics enabled women to take control of their own affairs and become equal partners with men on the social scene.

Two chapters contain interesting reflections on the changing meaning of ideas related to Co-operation. K. Harding analyses the concept of "the co-operative commonwealth" and S. Yeo the concept of "community". These terms not only reveal the reality, but also create it. The idea of



"commonwealth", derived from the gaelic word "cumannacht", describes more than social organization, awakening the spiritual emotions : fellowship, affection, love. "All of the key-words have been more than ways of seeing: they have been influential as ways of living, acting upon each other. They have been ways of seeing with particular, class location at particular times, with particular uses and functions for those who employ them, and with power to constrain and to shape the idea and actions of those about whom and by whom they are used." says S.Yeo in the introduction to his remarkable essay.

The book attempts to get behind effects into processes and struggles.

Many books compiling a number of separate essays run the risk of appearing to have been a juxtaposition of themes without any intrinsic organization, but S.Yeo has succeeded in establishing a successful synthesis of diverse themes which offers a comprehensive view of the roots of Co-operation.

A notable advantage of the book are the bibliographies accompanying every chapter making research easier for the reader who is interested in learning more about a particular question.

*Aline Pawlowska*

## **Co-operative Law in Practice: A Handbook of Legislation for Co-operative Development**

by Peter Yeo

Plunkett Foundation, Development Series, No. 10, U.K., 1989, 250 pp.

The manual is based on an analysis of co-operative and industrial legislation plus the by-laws of 32 countries of Europe (UK, GDR, Hungary, Malta and Spain), Africa (Botswana, Egypt, Ethiopia, The Gambia, Kenya, Nigeria, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe), Asia (China, Fiji, India, Indonesia, Kuwait, Malaysia, Nepal, Philippines, Singapore

and Thailand), USA and Caribbean (Jamaica and Dominica).

The author proceeds to a detailed review of all legal, administrative, economic and financial aspects of creating and functioning of co-operative societies. The various subjects are presented under 25 headings (Chapters). In an additional 26th chapter a few questions are raised relating to

policy matters and the role of co-operative law on the overall development process.

A foreword signed by Prof. H.H. Münkner, Marburg University, FRG, outlines the objectives of the publication and highlights the previous research work in the field of co-operative legislative publications and documentation in English. Advantages as well as limits of the manual are also shown in this foreword.

A list of the countries concerned and a detailed index of subjects (p. 246-250) facilitate the use of the handbook.

We consider that the first objective of the book being to help readers and practitioners to apply existing co-operative legislation and by-laws is largely met and achieved. The second objective of providing an opportunity for sharing the experiences on co-operative legislation tried in other countries is obviously promising. Dissemination therefore and use of this book will enable both practitioners and scholars to further discuss and reflect on the role reserved to the co-operative legislation towards creating and functioning of genuine, autonomous and democratically managed co-operative societies.

There seems to be room for few remarks which could be useful in any up-dating or even completion of the book. In several cases the co-operative laws cited are presently out of date having been revised or replaced

by new texts. This is the case of Botswana (1989), The Gambia (draft law of 1988), Hungary (1981 and 1983), Zimbabwe (draft law of 1988), Spain, etc.

The co-operative legislation in Hungary introduced as a result of the Hungarian "perestroika", and the one adopted by the USSR in May 1988, seem worthy of mention and could be cited as a major achievement of the new economic and co-operative thinking prevailing in several socialist countries of East Europe.

In addition, some of the ILO Technical Reports on advisory services provided by the ILO Co-operative Branch during the last few years in the field of Co-operative legislation, national policy and by-laws, could also give useful and up-dated information. There are some 11,000 co-operative texts collected and kept in the archives of the Co-operative Branch which could be informative and helpful to those who would choose to further investigate and elaborate on a theme such as: **Co-operative development through adequate legislation.**

In spite of these last observations, the author of the book as well as the sponsoring institution, the Plunkett Foundation, should be congratulated for this publication, result of very patient work and a practical approach.

*Dionysos Mavrogiannis*

# Comparative Study of Co-operative Law in Africa

Edited by Hans-H. Münkner

Published by Marburg Consult for Self-Help Development

This thorough and analytical study of the linkage between co-operative law and co-operative development in Africa was completed in 1985, but published only in 1989 as the first in a new series of books and reports to be published by Marburg Consult for Self-Help Development in the Federal Republic of Germany.

Drawing upon his extensive experience with the subject, Dr. Münkner follows the evolution of co-operative law in Africa from the colonial period through independence. His central theme is the need for co-operative legislation to adopt the characteristics of "development law"--that is, to be an instrument of change.

The essential problem is a well-known one: co-operative legislation has contributed to the concept of state-sponsored co-operation that has been practised since independence by many African governments, rarely with any degree of success. The original role of the Registrar of Co-operative Societies--as educator rather than administrator--was all too often transformed into pervasive control exercised by political appointees or bureaucrats with no co-operative expertise.

The French-speaking countries of Africa arrived at the same point by different means. During the colonial era the

promotion of co-operatives was done by various public development corporations rather than by a department with specific co-operative expertise. This lack of recognition of co-operative development specialists has had the result that those cadres with high-level foreign or local training have rarely remained in positions of co-operative influence.

There are, nevertheless, some encouraging new trends in evidence. One, particularly evident in francophone countries, is the inclusion in co-operative law of such authentic African innovations as registered pre-cooperatives and subdivisions of co-operatives by stages. Another is the increasing willingness of governments, as reflected in the ministerial meetings being organised by ICA in East, Central and Southern Africa, to re-think their approaches towards co-operative development. It can hardly be surprising that this research study comes to the same conclusions as the 1984 Gabarone ministerial conference: "As the co-operative movement becomes mature in its operations, the governments should be prepared to relinquish those functions which have direct bearing on co-operatives so that they are undertaken by the movement."

*Bruce Thordarson*

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# ANNUAL REPORT 1989

*of the International Co-operative Alliance  
for the 1989 Central Committee Meeting, New Delhi, India*



## Review of International Co-operation

Vol 82 No. 3/1989

Editor M. Treacy

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## MESSAGE FROM THE PRESIDENT

In a certain respect each individual is the centre of the world - i.e. his or her world. Just turn your head. Everything is there around you - family, house, friends, neighbourhood, countrymen, nation; from where you stand you can identify yourself as the centre of the universe. And the stars will twinkle at you.

From a philosophical point of view this is, of course, nonsense. Nevertheless, it is unfortunately relevant to much co-operative performance. Serving members must always be a local task. But historical traditions might fool us; the future is beyond such a limited range of vision.

Let me share a few thoughts with you. The first is to do with demographics. More than half of humanity is aged below 20. Population growth is rapid; so is emigration from South to North. To plan for a billion new jobs makes sense, but how?



The second is the identity of nations. What is the nation to which we belong and of which we are proud? Gradually our nations in their present form will change. The closely-linked economies will increasingly influence national legislation. It will be like the metric system and left-hand driving; Change will take time, but it will come. There will of course be an international law of contract, but there will also be a growing harmony, both in civil and penal laws.

Demographics and economics have started a process that will change our nations. I have read that today it is almost imperative to speak Spanish if you wish to run for political office in the south of the USA. I also regard "perestroika" and "glasnost" in the USSR as part of this process of change.

My third and last point deals with economic life and the structural changes taking place. Private capital has always been mobile and transnational operations have existed for quite some time. Today it is difficult to plan a successful future based on the local market alone. At the very least you need some national or international connection.

In many parts of the economy new concepts of both vertical and horizontal integration have been introduced. Producers and wholesalers go into retailing and vice versa. Bankers go into insurance, and insurers into banking.

In my own country there are still some small and new enterprises, but the picture is dominated by a few multinationals and we do not believe that their headquarters will remain in Sweden for ever. Some have already moved. ASEA BROWN BOVERI is in Switzerland, IKEA in Belgium, and SKF ball-bearings in many places, including Sweden.

In every country we can see strange names on offices, factories and warehouses. They read SONY, KODAK and Zeiss, VAG, Renault and Fiat, Burberry and Lee, or Benetton and Bally. All of them have a national origin but represent a production that could take place almost anywhere.

It is in this world that our co-operatives have to find their future role. It is now that ICA has to define how its services shall be rendered in the future. My message is both simple and demanding.

ICA in itself has a limited capacity, with a small secretariat serving some 200 members worldwide. It should be looked upon as a tool, not as power, as a forum, not as the truth.

My firm belief is that co-operation between co-operatives must take place if there is to be a future. My fear is that our membership - both producers and consumers - will not be ready to interpret the changes taking place in the world, and that their leadership will be too slow or too weak to guide them.

I am well aware that the needs and problems of members differ between branches, between socio-economic systems and between regions. At the same time it is so obvious to me that each segment of our membership has to formulate a joint strategy for their international co-operation. And here I am talking about real business between equals, not only about co-operative ideas.

In the few years before the next congress the ICA authorities will do their utmost to take advantage of challenges and opportunities - both in Geneva and elsewhere. We hope our membership will also be active and have the same intentions.

*Lars Marcus*



## DIRECTOR'S REPORT

Since the 1988 Congress in Stockholm, which marked the end of the period of re-organization and rebuilding that had dominated ICA activities during the preceding several years, the ICA has turned its attention to the future.

### Organization

The secretariat's work is now carried out in three functional areas - promotion (including development, UN relations, and communication); coordination (research/documentation, member relations, and Specialized Organization liaison); and administration (finance, personnel, and meetings). These nine activity areas are shared by the 15-member staff, which now represent 12 different nationalities, giving the secretariat a truly international perspective.



In February 1989, the Executive Committee approved workplans and budgets prepared by each of the nine operating sections of the secretariat. In May, the Audit and Control Committee noted with satisfaction that this basic management practice of integrated planning and budgeting was now being applied.

### Congress Follow-up

Although not all of the Resolutions approved in Stockholm call for action by ICA, work is underway in a number of areas:

**Basic Values** - In November 1988, ICA asked its member organizations to begin their own review of the issues discussed in Stockholm, and to provide the secretariat with their preliminary views by the end of 1989. In May 1989, Mr. Sven-Ake Bööck was engaged as ICA Research Director with responsibility for coordinating this four-year study. He will be organizing, in collaboration with member organizations, a variety of meetings and research activities during 1990 and 1991 that will lead to the presentation of a final report to the 1992 Congress in Japan.

**Development** - Congress confirmed the ICA's new development strategy which has been guiding its activities since 1986. Support from member organizations is increasing in all Regional Offices, and the programme now receives regular funding from 15 governmental, non-governmental, and co-operative development organizations.



**International Year of Co-operatives** - The countries represented on ICA's Executive Committee have been asked to approach their governments to support the declaration by the United Nations of 1995, ICA's centenary, as the International Year of Co-operatives. Once sufficient support has been assured, ICA will seek to have an appropriate resolution introduced in the UN Economic and Social Council.

**ICA Structure** - The Executive Committee has established a committee to review possible changes in the organizational and management structures and procedures of ICA. Progress will be reported at the 1990 Central Committee meeting in anticipation of possible Rules amendments that would be proposed to the 1992 Congress.

**EEC Representation** - The Secretariat has consulted with its European member organizations, and with members of the Coordinating Committee of the European Co-operative Organizations, to determine if there is a need for regular ICA representation in Brussels. The response has so far been mixed, and follow-up meetings will be organized next year.

**Equality for Women** - Although this resolution is addressed to ICA member organizations, the Secretariat has also taken steps to promote the role of women in co-operatives. A three-week training course on women and credit was organized in late 1988 by the ICA and its Women's Committee, the World Council of Credit Unions, and the Afro-Asian Institute of Israel. Projects in support of women are functioning or being finalized in all of ICA's regional offices, as well as in its Costa Rica project office.

**International Debt** - In collaboration with the World Council of Credit Unions, ICA has established the Debt for Co-operative Investment Service to explore with banks and development agencies the use of discounted debt for co-operative development purposes in selected countries of the South.

**Twinning** - The Secretariat has responded to a number of requests to link co-operatives in the North with those in the South. Its regional offices are also promoting South-South technical assistance wherever possible.

### **Future Priorities**

Several of the Congress resolutions - especially those related to Basic Values and Development - have already established the priorities for ICA activity during the next four years.

In addition, the secretariat will be concentrating on:

**Improved Liaison with Specialized Organizations** - It is self-evident that the 15-member secretariat cannot address in detail the many important issues facing the world-wide co-operative movement, and must work more closely with the functional committees created by its members. At the same time, these groups should contribute to the overall objectives of ICA.

**Improved Meetings** - A number of innovations have been introduced in New Delhi in an attempt to make this year's Central Committee more interesting and relevant to members. Meetings on special themes--such as economic development in Eastern Europe and orientation for insurance development advisers--are being planned.

More detailed information regarding the secretariat's activity is contained in the following reports:



## Development



Bruce Thordarson  
Director of Development



Jane Challen  
Administrative Assistant



Claes Thorselius  
Finance Officer

The ICA Development Strategy which was endorsed by the 1988 Congress in Stockholm includes the following elements:

**Programme Orientation** - ICA is not a development agency, but is rather a catalyst and coordinator in support of the efforts of its members in the North and South. Its priorities are to bring about a strengthening of national apex and commercial co-operative organizations, to promote the autonomy of co-operative movements, to improve the quantity and quality of resources provided for co-operative development, and to undertake special programmes in the areas of women, trade, and human resource development.



Marie-Claude Baan  
Administrative Assistant

**Administrative Structure** - The ICA development programme is implemented through its regional and project offices, which are small, flexible, and responsive to the needs of their members.

Regional Offices are managed by a Regional Director, responsible to the ICA Director, with necessary support personnel. Projects are implemented by technical staff on fixed-term contracts. ICA Geneva assists the regional offices in annual planning and budgeting, in administration, and in coordinating the flow of money and reports between funding partners and the projects.

**Financing Formula** - ICA is responsible for the salary of Regional Directors. Regional members provide support for national projects and for regional office administration. Development organizations provide support for project activities, including core administrative support of the ICA offices. At mid-1989, ICA was receiving support for 26 separate projects from 15 governmental, non-governmental, and co-operative organizations.

In the absence of a full-time Development Director, the programme is managed by the ICA Director. The Development Section in Geneva also includes a Finance Officer and two Administrative Assistants. A new Senior Adviser joined the staff in September.

Efforts are now underway to develop a systematized approach toward personnel management that will cover both head office and the regional offices.

## Asia

The ICA Regional Office for Asia has recently expanded its membership to include Afghanistan, Vietnam, and Fiji. Increased activity has been undertaken with Bangladesh during the past year, and a study mission was sent to China to discuss future collaboration.

New projects have begun with the United Nations Development Programme's unit for technical collaboration among developing countries; with the Canadian co-operative organizations CCA and SDID to support the role of women in fishery co-operatives; and with CCA to improve co-operative legislation.

Following the signing of a "Memorandum of Understanding" in 1988 between ICA and the Australia Association of Co-operatives (AAC), collaboration has progressed rapidly. AAC and the Australian government will host a co-operative ministerial conference and trade fair in Sydney in February 1990, and are supporting the development and trade efforts of ICA in Asia and the Pacific.

Other projects are continuing with the support of the Swedish Co-operative Centre, the Japanese Consumers Co-operative Union, the Japanese Ministry of Agriculture, Forestry and Fisheries, the Institute for the Development of Agricultural Co-operation in Asia, and the UN Food and Agricultural Organizations (FAO). The ICA Fisheries Committee is also supporting management training of fisheries co-operatives in the region.

The Co-op Trade project was relocated during the year from Kuala Lumpur to the Regional Office in New Delhi following the resignation of the trade adviser. A new Agriculture Adviser, from China, has joined the office.

## East, Central, and Southern Africa

The activities of this office also expanded significantly during the year with the initiation of new projects in the fields of co-operative banking, savings, and credit in collaboration with the Rabobank Foundation of the Netherlands; women, with support from Hivos-Netherlands; co-operative trade in partnership with the Canadian Co-operative Association; and personnel policy management with support from the International Labour Office (ILO).

Collaboration continues with the Swedish Co-operative Centre (SCC) and with the Co-operative Insurance Development Bureau (CIDB). In accordance with a decision of the Regional Council, the insurance project will be based in Botswana following the end of its present three-year phase of activity in Zambia.



Mr. G.K. Sharma  
Regional Director for Asia



Mr. Charles H. Gashumba, Regional  
Director for East, Central and  
Southern Africa



ICA Head office, the Regional Office, and SCC are planning to organize a needs analysis mission to Namibia, followed by a conference of potential co-operative funding agencies, in 1989-90. Another new joint initiative involves the establishment of common auditing, accounting, and computer standards in the region.

### **West Africa**

The future orientation and integration of the activities of the Regional Office were examined during a planning session held in conjunction with the Regional Council meeting in Niamey in June 1989. Projects are currently supported by the Royal Norwegian Society for Rural Development (NRD) and the French-Canadian organizations Société de développement international Desjardins (SDID) and Société de coopération pour le développement international (SOCODEVI). France's Crédit coopératif also provides institutional support.

The office suffered a major loss with the retirement of Babacar N'Diaye, who has served as Regional Director since the office was opened in 1981.



Mr. Babacar N'Diaye, Regional Director for West Africa

### **Latin America**

ICA's efforts to support the work of co-operatives in Latin America, in collaboration with the Organizacion de las Cooperativas de America (OCA) and the Confederacion de Cooperativas del Caribe y Centro America (CCCCA), are continuing.

A regional consultation with members and funding partners is being organized to determine the future role of the ICA Project Office in Costa Rica, which was established for a two-year trial period in 1988. ICA and the Lega Nazionale of Italy are examining the possibility of establishing a similar office in Argentina in 1990.



Jean-Marc Lampron  
Project Director  
Regional Project Office, Costa Rica

## ICA WORLD MEMBERSHIP

### AFRICA

25 ORGANIZATIONS  
17 COUNTRIES

1	BOTSWANA	59,645
1	COTE D'IVOIRE	213,405
5	EGYPT	3,850,000
1	GAMBIA	106,000
2	GHANA	1,099,002
2	KENYA	2,991,248
1	LESOTHO	42,233
1	LIBERIA	1,000
1	MALI	4,447
1	MAURITIUS	40,000
3	MOROCCO	21,793
1	RWANDA	965
1	SENEGAL	838,000
1	SOMALIA	53,950
1	TANZANIA	640,463
1	UGANDA	980,076
1	ZAMBIA	150,000

### ASIA

56 ORGANIZATIONS  
22 COUNTRIES

1	AFGHANISTAN	220,652
2	BANGLADESH	9,000,000
1	CHINA	132,000,000
9	INDIA	120,000,000
1	INDONESIA	8,492,197
1	IRAN	4,164,493
1	IRAQ	1,200,000
1	ISRAEL	1,540,274
9	JAPAN	43,696,870
1	JORDAN	38,094
1	KOREA D.P.R.	1,575,000
3	KOREA Rep. of	2,138,000
2	KUWAIT	143,094
8	MALAYSIA	1,732,620
2	PAKISTAN	2,960,448
3	PHILIPPINES	735,851
2	SINGAPORE	323,134
4	SRI LANKA	4,212,161
1	SYRIA	94,000
1	THAILAND	2,630,179
1	VIET NAM	20,000,000
1	YEMEN ARAB Rep.	12,450

625,590,293 INDIVIDUALS  
192 NATIONAL ORG.  
10 INTERNATIONAL ORG.  
76 COUNTRIES

### EUROPE

89 ORGANIZATIONS  
26 COUNTRIES

3	AUSTRIA	3,027,328
4	BELGIUM	2,725,967
1	BULGARIA	2,203,000
4	CYPRUS	287,533
1	CZECHOSLOVAKIA	3,925,883
3	DENMARK	1,208,946
5	FINLAND	2,048,084
7	FRANCE	16,978,111
6	F.R.G.	2,578,753
1	G.D.R.	4,600,000
1	GREECE	814,864
4	HUNGARY	4,692,910
1	ICELAND	45,968
3	ITALY	5,215,381
1	NETHERLANDS	1,600
5	NORWAY	1,218,600
5	POLAND	9,860,914
5	PORTUGAL	2,249,203
5	SPAIN	2,672,205
1	ROMANIA	14,976,698
7	SWEDEN	4,593,498
4	SWITZERLAND	1,247,794
5	TURKEY	8,204,516
5	UK	10,011,813
1	USSR	60,100,000
1	YUGOSLAVIA	1,506,000

NORTH & SOUTH AMERICA  
19 ORGANIZATIONS  
9 COUNTRIES

9	ARGENTINA	6,048,642
1	BRAZIL	3,440,947
2	CANADA	11,282,247
1	CHILE	600,000
1	JAMAICA	250,000
1	MEXICO	210,000
1	PUERTO RICO	562,436
2	URUGUAY	398,500
1	USA	58,344,538

### AUSTRALIA & OCEANIA

3 ORGANIZATIONS  
2 COUNTRIES

2	AUSTRALIA	4,022,098
1	FIJI	30,574

### INTERNATIONAL ORGANIZATIONS IN MEMBERSHIP OF THE ICA

name of organization	situation of secretariat	numb. of countries	numb. of societies	numb. of members	activity sector
Arab Co-op Fed.	Bagdad	14	23	20,000,000	regional apex union
COLACOT	Bogota	23	39	2,500,000	union of work co-ops
SIDESCOOP	Buenos Aires	9	16	4,041,540	financement of co-ops
OCA	Bogota	17	-	-	regional apex union
CCC - CA	San Jose	11	30	500,000	regional apex union
NAF	Copenhagen	5	6	2.025.300	joint purchasing
UCI	Paris	n/a	n/a	n/a	co-operative university
ICPA	Doornrecht	-	28	-	supply of oil products
INGEBA	Basel	19	43	n/a	co-operative bank
WOCCU	Madison	79	12	73,549,960	savings & credit co-ops



## Membership

In July, 1989, the membership of the International Co-operative Alliance comprised 187 national organizations from 75 countries and 10 international and regional organizations. These member organizations represent nearly 600,000,000 individual, primary level members.

Since the 29th Congress in Stockholm, 17 national co-operative organizations from different parts of the world and one regional organization have become members of the ICA. The newly admitted members are as follows:



Slava Ouglev, Manager  
Member Relations Section

### Asia and Pacific

- Australian Association of Co-operatives, Australia;
- Federation of Thrift and Credit Co-operatives, Sri Lanka;
- Co-operative Marketing Federation Ltd., Sri Lanka;
- Central Council of Supply and Marketing Co-operatives, Viet Nam;
- Central Council of Peasants' Co-operatives, Afghanistan;
- Fiji Co-operative Union, Fiji;
- National Press and Information Federation of Agricultural Co-operatives, Japan;
- Union of Agricultural Products Co-operatives, Kuwait;
- General Union of Crafts Societies, Syria.

### Africa

- General Co-operative Union, Egypt;
- Union de Sociétés Coopératives Agricoles Marocaines, Morocco;
- National Corporation Federation, Liberia;
- Ghana Co-operative Consumer Association Ltd., Ghana;
- Alliance Co-operative au Rwanda, Rwanda.

### Latin America

- Confederacion Latinoamericana de Cooperativas y Mutuales de Trabajadores (COLACOT);
- Organization of Co-operatives of Brazil;
- Confederacion Uruguayaya de Entidades Cooperativas
- CUDECOOP, Uruguay.

### Europe

- Supreme Co-operative Council of Basque Co-operatives, Spain.

The growth in ICA membership during the reporting period is the result of a more active recruitment policy launched after the 29th ICA Congress, aimed at attracting more actively participating members and thus increasing funds to strengthen ICA programmes.

The priorities in administering membership procedures included a stricter application of the ICA Rules, an improved subscription process simplifying invoicing and subscriptions, and a

stricter attitude towards non-payment and underpayment of subscriptions. Regular reports analyzing the current subscription situation and members' contributions were prepared by the Secretariat and submitted to the Executive and Audit and Control Committees for consideration and action. These steps have helped to stabilize the financial situation in 1988 and 89.

A membership service and recruitment strategy, prepared by the Secretariat, was analyzed by the Executive Committee at its meetings in Geneva and Salzburg. A need for increased support of ICA by its member organizations was emphasized and recommendations made for the continuation of a more vigorous membership policy.

## Personnel

The Personnel Section is part of the overall administrative structure of the ICA Head Office. It has been operating as an independent unit since July 1988, when a staff person was assigned part time to this function.

The aims of the Personnel Section are to assist the Secretariat to fulfil its personnel requirements in keeping with the organization's overall objectives and in collaboration with the departments concerned.



Finola Marras, Manager  
Personnel and Meetings Sections

At the end of 1988, a salary and benefits study for ICA Geneva staff was commissioned by outside consultants. The aims of this study were to compare ICA conditions of employment with local conditions and to build an objective salary and benefits policy for the future. As a result of this, the personnel policy for Geneva employees was revised at the beginning of 1989.

As it develops, the Personnel Section aims to extend a systematized personnel structure to all of ICA's offices. Discussions have begun with the Regional Directors on a future regional staffing policy, which would be centrally coordinated by ICA Geneva and fall within the framework of the overall staff objectives, while respecting local customs and regulations. This includes staff planning, recruitment, contracts, job descriptions, performance reviews and orientation and training.

It is believed that such an approach to staff management would increase overall efficiency, in addition to projecting a clearer and more transparent image of ICA to its membership, donors and staff.

At present there are 15 people employed at ICA Geneva representing 12 nationalities. A new Editorial Assistant to the Communications Section joined the staff at the beginning of the year.

In the regional offices all salaries are covered by project and member funding with the exception of the Regional Directors' salaries, which are funded from the central budget.



16 people from six countries are employed at **ICA Moshi**. New staff members during 1989 include a COOPTRADE Project Officer (from Uganda), a Women's Project Officer (from Tanzania), an Insurance Adviser (from Sweden) and a Banking Adviser (from the Netherlands).

At **ICA New Delhi**, 18 people from four countries are employed. New staff members include an Agriculture Co-operative Development Adviser (from the People's Republic of China). The COOPTRADE Adviser, who resigned from his post in Kuala Lumpur during the year, has not yet been replaced.

At **ICA Abidjan**, seven people from four countries are employed. Mr. Babacar N'Diaye will retire before the end of the year after serving for eight years as Regional Director. The Women Programme Officer will leave at the end of June when this phase of the Women's Project comes to an end.

In addition there are three people from two countries staffing the **ICA Project Office for Central America** based in San José, Costa Rica.

## Meetings

The Meetings Section is an integrated part of ICA's administrative structure. The department is responsible for the organization and coordination of all ICA meetings (Congress, Central Committee, Executive Committee, special meetings), in collaboration with other staff members who have specific functional responsibilities.

The first Central Committee meeting in this Congress period will be held in New Delhi in October. This will be the first Central Committee meeting in Asia and will be hosted by the National Co-operative Union of India. Innovations to the programme have been introduced in an effort to improve the quality of ICA's meetings. The traditional schedule has been altered to allow more input and feedback from all participants and, in particular, from the Specialized Organizations. Two major themes will be discussed: The Challenge of Global Economic Integration and Co-operatives in Asia.

It is also planned to introduce to the programme a meeting between newly admitted members and ICA representatives.

The Central Committee has been invited by the Spanish movement to meet in Madrid in 1990. As a means of familiarizing Spanish co-operators with ICA in anticipation of the meeting, a delegation of four people from ICA Geneva visited Spain in June 1989.

In 1991, ICA's member organization from the German Democratic Republic will host the Central Committee in East Berlin.

A first meeting between ICA and the Japanese co-operative organizations to discuss venue and arrangements for the 1992 Congress in Tokyo took place in Japan in April.



The Executive Committee has met three times since the Congress. Its first meeting, which was in October 1988, was held in Beijing, People's Republic of China, at the invitation of the All China Federation of Supply & Marketing Co-operatives. It met for the second time in February 1989 at ICA's Head Office in Geneva, and in June 1989, it met in Salzburg, Austria, at the invitation of Konsum Oesterreich.

ICA also helped organize a Seminar for Co-operative Insurance Advisers run by the Co-operative Insurance Development Bureau (CIDB), the development arm of ICIF (International Co-operative Insurance Federation). A second seminar will be run in December 1989.

Future plans are to continue to improve both the content and the organization of ICA meetings, based on its members' needs, and to organize meetings on special themes where a such a need is expressed by member organizations.

## UN/NGO Relations

During the past year, collaborative efforts with the UN have culminated in two concrete programmes: an ICA/WOCCU Seminar on Women and Co-operative Credit, which received funding from the United Nations Development Fund for Women (UNIFEM); and an agreement to co-sponsor a Regional Workshop on Co-operatives of Disabled Persons with the UN Centre for Social Development and Humanitarian Affairs.

The Secretariat is following up the Congress Resolution calling for the Declaration of a United Nations International Year of Co-operatives (1995), with the assistance of the ICA representatives to the UN. Contacts have been made with the UN Secretariat as well as with a number of governments in order to secure support for such a declaration.

Efforts are also being made to establish a comprehensive, strategic approach to relations with the United Nations. Members have been asked to identify areas of priority interest so that ICA can focus on specific UN programmes. The ICA representatives to the UN will be meeting in New Delhi to discuss this new strategy which will be based on ICA member responses.

The ICA continues to be represented at UN and UN specialized agencies' forums, conferences, meetings, workshops and seminars. To assist in this representation the following persons have been named:

UN - New York	R. Scherer
	P. Sheehan
UN - Vienna	A.E. Rauter
	S. Schlifke
FAO	G. Vecchi
	L. Visani
UNESCO	F. Baulier
UNCTAD	E.A. Wohlner
UNIDO	V. Sielanko
HABITAT	I. Hansen
ECE	C.-J. Hachmann



Maria Elena Chavez-Pirson  
Liaison Officer, UN/NGO Relations



## Reports of ICA Representatives to the United Nations

### UN New York

The ICA has participated in various activities in New York, particularly with the United Nations Development Programme, the United Nations Capital Development Fund and the Economic and Social Council of the United Nations and its various committees.

Specifically, the ICA has initiated contact with the Commission on Transnational Corporations, which is a continuing source of information for co-operatives in developed and developing countries.

As previously mentioned, contacts have been made to secure support from the UN Secretariat on the declaration of an International Year of Co-operatives



R. Scherer



P. Sheehan

### Economic Commission for Europe (ECE)

The ICA is represented on the Committee on Housing, Building and Planning. ICA also participates in the Working Party on Housing, the Working Party on Building and the Working Party on Urban and Regional Planning and Research. Topics which are addressed include housing forecasting and programming, socio-economic aspects of modernization policies, distributional aspects of housing policies, rent policies and evaluation of housing policies among other more technical aspects.



C.-J. Hachmann

### United Nations Industrial Development Organization (UNIDO)

ICA has been particularly involved with UNIDO through its collaboration with CICOPA. During the reporting period the two organizations jointly planned and organized a number of training courses for industrial co-operatives. In addition, UNIDO actively participated in the organization of the International Seminar of Latin American Industrial Co-operatives (April 1989).



V. Sielanko

### UN Vienna

ICA representatives to the UN in Vienna have attended regular sessions of UN agencies (Peace and Disarmament, Women, etc.). In addition, regular meetings have been arranged with the department within the United Nations Industrial Development Organization (UNIDO) dealing with industrial co-operatives, and collaboration has been strengthened with the International Labour Office's Material and Techniques for Co-operative Management Training Project (ILO-MATCOM).



A.E. Rauter



S. Schlifke



G. Vecchi

### Food and Agriculture Organization of the United Nations (FAO)

The ICA was represented at the 10th Session of the FAO Committee on Agriculture (COAG) where the ICA representative addressed the session on People's Participation in Agricultural and Rural Development, stressing the role of co-operatives in rural development. ICA continues to participate in the Ad Hoc Meeting of NGO Representatives to the FAO which will be dealing with people's participation and the role of the INGOs at the FAO Conference (November, 1989).



L. Visani



## Communications



Mary Treacy  
Director of Communications



Laurie Wilcox  
Editorial Assistant

During the reporting period, ICA has concentrated on establishing a viable communications programme, developing a co-operative information network and upgrading the regular publications and promotional materials.

A new Editorial Assistant, Ms. Laura Wilcox, joined the Secretariat early this year, and has now terminated her training period. She will be attending her first ICA meeting in New Delhi.

## Publications

In the period covered by this report, **four** issues of the **ICA News** and **five** issues of the **Review of International Co-operation** have been published, including the **Annual Report for 1988** (which incorporated the **29th Congress Report**) and the **Annual Report for 1989**. The section collaborated with ICA member organizations for the publication of the Review in Spanish and summaries in Japanese. In addition, **Nine** press releases were sent during the 12 months under review.

As an economy measure, a set of new pages incorporating the changes to **ICA Rules** agreed at the 29th Congress in Stockholm were prepared in all of the five official languages, rather than reprinting the whole publication.

In addition to editing its regular publications, the Section also provided technical and editorial assistance to other Sections of ICA Secretariat and Specialized Organizations.

In order to integrate the new ICA logo, new letter head was designed for ICA stationery and a new masthead for ICA News. Visiting cards and stationery were printed for representatives of ICA and its Specialized Organizations as necessary.

The Section co-ordinated translation of all ICA documents into the five official languages as required.

## Audio-Visuals

Audio-visual equipment was purchased during the period under review, and the Secretariat has begun to set up a library of videos on ICA member organizations and the international co-

In September 1989, the Communications Director will visit Co-operators Communications in Guelph, Canada, to participate in the production of a promotional video on ICA which will be presented at the New Delhi meeting.

The video will be produced in an English version only and transcription into other languages will depend on the interest expressed by member organizations.

## **Public Relations**

### **Promotion**

A general information pamphlet and 19 information sheets, giving details on specific activities of ICA Secretariat, Development Section and Specialized Organizations have been translated and published in Japanese by ICA member, Zenchu. The information sheets have also been translated into French and will be translated into Spanish later this year.

Pamphlets on ICA & ICA Development Programme as well as ICA information sheets and other promotional items have been supplied, on request, to ICA member organizations, specialized organizations and other organizations wishing to promote ICA.

An initiative to supply articles and photos to member organizations and the co-operative press on a regular basis has been implemented. The first such article, "The World Co-operative Family" was circulated in April, the second "ICA's Strategies for Co-operative Development" in September 1989.

In addition, the Secretariat contributed articles to co-operative journals and supplied information on ICA and the international co-operative movement, photographs, slides and graphics to help ICA member organizations and their members prepare articles, pamphlets, slide shows and exhibitions.

Promotional items were designed and ordered as a service to members and to publicize the ICA and the international co-operative movement. Items now available include rainbow umbrellas, ICA T-shirts and polo shirts, rainbow earrings, lapel pins and badges and rainbow pencils and pens.

### **Visitors**

ICA's Communications Department, in collaboration with other members of staff, has been responsible for welcoming several large groups as well as individual visitors, making presentations on ICA, preparing presentations for other staff members, and arranging for lectures and visits.

### **Meetings**

The ICA co-operates with host organizations in setting up a Communications Programme during ICA's Annual Meetings. For the second consecutive year the Working Party on Co-operative Communications will be collaborating in the preparation of a daily news bulletin covering the events in New Delhi.

ICA hosted a meeting of the Public Information Director's Roundtable at ICA Head Office in December 1988 and attended another meeting of the group in Vienna in June 1989.



In addition, the Director of Communications attended a meeting of Scandinavian and Soviet Co-operative Researchers in Leningrad in September 1988, met with member organizations in Canada, the UK and Catalonia, and participated in two meetings of the Plunkett Year Book Editorial Board in London.

### **Messages**

The Co-operative Day Message for 1989, "Unity in Diversity", was sent out in all of ICA's official languages, together with statistical information and a promotional rainbow pen.

Various other messages were prepared on behalf of the ICA Director and President at the request of ICA member organizations.

### **Working Party on Co-operative Communications**

The Secretariat has continued to provide corporate secretarial services to the Working Party on Co-operative Communications (see separate report).

## **Library and Archives**

### **Library Management**

The catalogue of the ICA Library was updated using the computer system Microisis. By the end of June, 500 titles were registered, representing acquisitions from 1980 onwards. The Documentalist collaborated with the Communications Department in the regular publication of an acquisition list in the Review of International Co-operation, the start-up of a co-operative video library and in arranging for issues of the Review of International Co-operation and Congress Reports, dating from 1968 onwards, to be bound.



Aline Pawlowska,  
Documentation Officer

### **Statistics**

A questionnaire was sent to ICA member organizations in December 1988 requesting basic statistical information on membership and financial turnover. 78 replies were received, representing 41% of ICA's membership, which is a higher response rate than in previous years. The geographical distribution of replies is the same as in previous years, with most European and American co-operative movements sending in statistical information, and Asian and African countries, which often do not have the necessary infrastructure for gathering statistics from their own membership, having a low response rate. The results are being analyzed and will be published in October 1989.

In November 1988, Gloria Almeyda de Stemper, Research Officer from WOCCU, worked with the Library on a special three week consultancy on statistics and research management.

### **Information Enquiries**

The library processes approximately ten requests for information in various fields each month, in addition to researching co-operative publications. Research on ICA history and ICA's

relationship with particular member-organizations was undertaken at the request of other sections of the Secretariat as well as for ICA members and co-operative researchers.

### **Membership Data Base**

A membership data base containing information on ICA members was set up and the system will be developed further in 1990.

### **WPoCLIDO**

The Documentalist provided corporate secretarial services to the Working Party for Co-operative Librarians, Information Officers and Documentalists (see separate report).

## **Specialized Organizations**

The Section on Specialized Organizations submitted a discussion paper on the relationship between the ICA and the Specialized Organizations to the ICA Executive Committee meeting in Geneva, February 1989. The paper gave a historical review of the Specialized Organizations, presented problems arising from the Hamburg Congress decision to introduce a special article on Specialized Organizations in the ICA Rules, structural questions, and problems of secretarial services to the Specialized Organizations and Working Parties.



Lajos Varadi, Manager,  
Member Relations Section

The Executive Committee concluded that questions of structure are less important and that emphasis should be placed on improving collaboration between the ICA and the Specialized Organizations. They made the following decisions:

- Specialized Organizations and Working Parties will be requested to make a detailed presentation of their activities to the Executive Committee once every Congress period. The first report was made by the Consumer Committee at the June 1989 meeting of the Executive Committee in Salzburg, Austria.
- Specialized Organizations and Working Parties will be invited to attend meetings of the Executive Committee whenever appropriate.
- Future Central Committee agendas will systematically include reports by Specialized Organizations and Working Parties and will encourage their participation in the work of the Central Committee.

In New Delhi members of Specialized Organizations and Working Parties will be able to attend the Central Committee meeting as observers at concessional rates.

Members of the Working Party on Co-operative Communications will be able to attend meetings of the Central Committee and Congress free-of-charge.



- Specialized Organizations and Working Parties will be entitled to one delegate at the Congress.
- Specialized Organizations and Working Parties will be requested to contribute to the overall workplan of ICA.
- The ICA Director will consult with Specialized Organizations and Working Parties on the appointment of representatives to United Nations Agencies and Non Governmental Organizations (NGOs).

## Administrative Staff Supporting All Sections



**Claes Thorselius**  
Finance Officer



**Vivianne Dubini,**  
Finance Assistant



**Josiane Trovatelli,** Receptionist  
and Publications Assistant



**Marie-Claude Baan,**  
Administrative Assistant



**Enid Borboen**  
List Processing Assistant



## REPORTS OF THE SPECIALIZED ORGANIZATIONS

### Agricultural Committee



Chairman: Jean-Louis Doumeng (France)



Secretary: Mr. Lajos Varadi (ICA)

The plenary meeting in Stockholm in July 1988 elected a new Executive Committee for the four-year period (1988-1992) as follows: Jean-Louis Doumeng, France (Chairman); Mohamed Idris, Egypt (First Vice-Chairman); Mihály Lehoczki, Hungary (Vice-Chairman); Shyam Sunder Dawra, India (Vice-Chairman); Valentin Levisman, Argentina; Pavel Jonas, Czechoslovakia; Bruno Oestergaard, Denmark; Momodou Dibba, The Gambia; Agostino Bagnato, Italy; Odd Gran, Norway; Agustyn Kilayko, Philippines; Jan de Woul, Sweden; Charles Kabuga, Uganda.

Ten new members have joined the Committee over the past two years, bringing the total membership to 45 member organizations from 38 countries.

In Stockholm, the Committee also held a joint meeting with the Consumer Committee to discuss opportunities of closer collaboration in commerce and educational projects. Examples of successful co-operation between consumer and agricultural co-operatives were cited from Japan, Italy and Argentina.

The future work of the Committee will reflect the current concerns of agricultural co-operatives:

- a growing demand for environment friendly products, requiring certain changes in some agricultural production processes;
- an adequate pricing policy for farm produce, ensuring a fair revenue to farmers;
- access to credit;
- adequate capitalization of agricultural co-operatives;
- risk and profit sharing by employees.

The Executive of the ICA Agricultural Committee proposes to organize a buying group for fertilizers, in order to obtain more advantageous prices. Initial feasibility studies on the project are underway and a report will be made in New Delhi. At the October plenary meeting the



Committee will also discuss the role of agricultural co-operatives in the social and economic development of Third World countries.

The Committee will continue its membership campaign, for by uniting more and more members it can better defend farmers' interests.

## Consumer Committee



Chairman: Turid Ström (Sweden)



Secretary: Lajos Varadi (ICA)

At the Stockholm plenary meeting in July 1989 the following persons were elected to the Executive Committee for the next four years: Turid Ström, Sweden (Chairman); Masao Ohya, Japan (Vice-Chairman); Manfred Dabrunz, FRG (Vice-Chairman); Luis Armando Carello, Argentina; Kalevi Suomela, Finland; István Szlamenicky, Hungary; Giuseppe Fabretti, Italy; Abdulatif Al Kharaza, Kuwait.

The Committee also adopted new guidelines for a co-operative consumer policy. The guidelines highlight the following points:

- consumer coops are the world's greatest mass movements of consumers;
- co-ops are business organizations guided by ethical values;
- members' administrative bodies occupy a key position in deciding the operating policies of their societies;
- administrative bodies are the essential links between members and management;
- a co-operative consumer policy should not be limited to its own business operations, but participate in a general consumer policy;
- problems exist to be overcome, the world should be seen as a challenge.

The Consumer Committee celebrated **International Consumer Day** on March 15 for the third consecutive year. Although, initially, there was little reaction to the day, the Committee is increasingly getting feed-back and support for the idea. The subject for 1989 was the protection of the ozone-layer and how consumer co-ops can help by withdrawing harmful products from their shelves.



(Photo ILO)

*Consumer Co-operatives can be found in all parts of the world and range in size from tiny community shops in developing regions to large department stores and national chains*

In relation to the above, the Consumer Committee will organize an international conference on consumer co-operatives and environment protection in Stockholm in June 1990. In New Delhi, a decision will be made as to whether the theme should be enlarged to include agricultural co-operatives, whose production activities greatly influence the environment.

Committee members regularly report on development trends in their movements so that organizations can learn by the experience of others and, by so doing, be forearmed with solutions to problems they may encounter in the future. For example, the Finnish member reported on the introduction of non-voting shares, by which they can finance their activities and several members have shown a keen interest in adopting this solution in their own organizations.

Future conference themes will be the capitalization of consumer co-operatives and the responsible use of credit and the promotion of savings.

The Committee considers itself to be the representative of the consumer co-operative ideology and, as such, intends to give answers to the problems facing the world's Consumer Co-operative Movement.



## Housing Committee



Chairman: Olle Lindström (Sweden)



Secretary: Kerstin Hermansson (Sweden)

Acting members on the executive up to the New Delhi meeting are Olle Lindström, Sweden (Chairman); Bohdan Saar, Poland (Vice- Chairman); Jürgen Steinert, FRG (Vice-Chairman); Nicola di Biagio, Italy; Ivar Hansen, Norway; Murat Karayalçin, Turkey; Sandor Kovacs, Hungary; Jean-Yves Lord, Canada; Herbert Ludl, Austria; Daniel Petrequin, France; and Rolf Trodin, Sweden. Kerstin Hermansson, Sweden is Secretary/Treasurer. In New Delhi there will be a by-election as one seat was left vacant in 1988 and one member, Mr Jiri Prosek of Czechoslovakia, died in May 1989.

Since the Stockholm Congress the Catalonian Federation of Housing Co-operatives of Spain has been admitted to membership. Due to financial difficulties two member organizations have cancelled their membership bringing the total membership to 42 members from 28 countries.

As follow-up to the International Housing Conference in Stockholm, a seminar on Solidarity between Co-operatives will be arranged in 1990, most probably in the South Asian region, dealing with practical ways of collaboration between co-operatives on both the national and international level. The main emphasis will be on forms of mutual assistance that could support the co-operatives in developing countries. Another seminar, dealing with the inner life and social activities of housing co-operatives, will be organized in Sweden in June 1990. The Committee is also preparing a seminar on the relations between co-operatives and the State, with special reference to the situation in the industrialized countries. The seminar will be arranged in collaboration with the co-operative section of CECODHAS\* organizing housing co-operatives in countries that are members of the European Common Market.

The plenary meeting in New Delhi, India, in October 1989 will finalize plans for the seminars, paying special attention to the housing situation in developing countries and the role the co-operatives could play in bringing it towards a solution. The Housing Committee will also participate in the discussion on co-operatives and basic values in interaction with the Central Committee.

\*CECODHAS = European liaison committee for social housing

President



Lars Marcus (Sweden)



Dilip Bhuria (India)



Momodou Dibba (The Gambia)



Mitsugu Horiuchi (Japan)



Jacques Moreau (France)



Knud Ollgaard (Denmark)



Anton E. Rauter (Austria)

# MMITTEE 1988-1989

## Vice President



Yvon Daneau (Canada)

## Vice President



Pavel Fedirko (USSR)



Raija Itkonen (Finland)



Jan Kaminski (Poland)



Michal Marik (Czechoslovakia)



Robert Scherer (USA)



Lanfranco Turci (Italy)



Yang Deshou (P. R. of China)

## Fisheries Committee



Chairman: Jirozaemon Sato (Japan)    Secretary General: Giichi Suzuki (Japan)    Secretary: Masaaki Sato (Japan)

During the Stockholm Congress a new Executive Committee was elected for the four-year period till the Congress in Tokyo: comprising: Jirozaemon Sato, Japan (Chairman); P. Lacour, France (Honourary Chairman); Giichi Suzuki, Japan (Secretary General); Datuk Haji Ayiy Mohd, Malaysia (Vice Chairman); Dr. Antal Csoma, Hungary (Vice-Chairman); Erlendur Einarsson, Iceland (Vice- Chairman); Park Hee Jae, Republic of Korea (Vice-Chairman); Vieri Spaggiari, Italy (Auditor); Anan Chamnankit, Thailand (Auditor); William Buckman, Ghana; Subash Chandra, India; Maurice Benoish, France.

As a result of an aggressive membership campaign launched in 1987, membership increased from nine organizations from eight countries in 1987, to 22 national apex organizations from 19 countries in 1988.

During the period under review, two seminars were held: one in India in November, 1988 and the second in Thailand in March, 1989. Both seminars were funded by ODA (Official Development Assistance) funds under an agreement between the Japanese Government and the ICA. Total ODA funds contributed in 1988 amount to \$US130,120. The seminars aim to promote the development of human resources in fishing communities.

### Recommendations of the Seminars

#### 1) Seminar in India

- The State Governments should pass legislation to disqualify non-active fishermen, middlemen and traders from co-op membership.
- Fisherwomen should be encouraged to mobilize member savings.
- A strong retail network should be set up by fisheries co-operatives in all major towns, including the market centres such as Delhi and Calcutta. For this purpose local authorities should provide the co-operatives with retail outlets at concessional rates.
- The ICA Fisheries Committee and ICA member-organization, ZENGYOREN, should conduct more leadership development programmes for fisheries co-operatives in Asia's developing countries.



*The catch is unloaded directly from fishing vessel to truck in Japanese fishing ports*

## 2) Seminar in Thailand

- The Government should give fisheries co-operatives fishing rights over natural ponds, canals and water reservoirs.
- The Co-operative League of Thailand should approach the government to enact a new law or amend those existing to allow co-operatives to engage in insurance for marine and fresh water fishing and aquaculture.
- All co-operative movements in Thailand should unite together to set up a joint co-operative bank.
- A "Loan Guarantee Fund" should be established for the members of fisheries co-ops and fishermen's groups.
- A marketing information network should be established to facilitate business deals for co-operative members.
- The fisheries co-operatives and fishermen's groups should become engaged in multi-purpose activities in order to better serve the interests of members.

In October 1988, the Committee sent a research group of CCMCM\* and ZENGYOREN members to Europe to make a detailed study of the European Community's fish price stabilization system under the common fishery policy. The results of the study will be published in 1989.

\*CCMCM = *Coopération de la Mutualité et du Crédit Maritimes*



## ICIF (International Co-operative Insurance Federation)



Chairman: J.E. Fisher (USA)



Secretary: T.H. Webb (UK)

The ICIF has 102 member societies from 37 countries. In addition, five co-operative insurance agencies have been granted observer status.

### Executive Committee

The Executive Committee elected last year in Stockholm is the following: J.E. Fisher, USA (Chairman); S. Ochiai, Japan (Vice Chairman); W. Schulz, FRG (Vice Chairman); A.S. Sneddon, UK (Treasurer); R. Belhomme, France; H. Dahlberg, Sweden; E. Mazzoli, Italy; O. Mercure, Canada; Tan Kin Lian, Singapore; A. Vainstock, Argentina. Ex officio non-voting members: P.O. Granstedt, Sweden (Chairman, ICRB); T. Haalboom, Canada (Chairman, CIDB); T.H. Webb, UK (Secretary).

The Executive Committee met in Stresa on Lake Maggiore (Italy) in May 1989. Mr. Siegfried Sellitsch, Chief Executive of Wiener Städtische (Austria), was co-opted to the Committee to fill the vacancy caused by the resignation of a former member of the Committee from his society. The Committee had earlier elected Mr. Hans Dahlberg, Managing Director of Folksam, Sweden, as Vice-Chairman.

In response to ICA's request for contributions to the discussion on basic co-operative values, the Executive agreed to put this subject on the agenda of the ICIF conference in Buenos Aires in 1990; a discussion paper will be circulated to members before the end of 1989.

ICIF welcomes the ICA paper on the role of ICA specialized organizations and working parties within the Alliance, but believes that any benefits to be obtained from collaboration between sectors can be obtained by individual members of the specialized organizations rather than by the specialized organizations themselves.

### Co-operative Insurance Development Bureau (CIDB)

A training seminar for co-operative insurance advisers took place in Rolle, Switzerland in December 1988. The week long event, organized by ICA, was designed to prepare advisers for the challenges of providing guidance to new co-operative insurers or agencies in developing countries. This important innovation will be followed up by seminars for French and Spanish-speaking advisers.

The CIDB management committee met in Kingston (Jamaica) in April 1989.



*The ICA Technical Committee for Co-operatives Insurance in East Central and Southern Africa is part of a joint ICA/CIDB Project*

### **International Co-operative Reinsurance Bureau (ICRB)**

The tenth triennial meeting of reinsurance officials was held in Paris at the end of June 1989, opening just a few days after the ICRB's 40th anniversary. To mark the anniversary the bureau published a commemorative book.

After a small decline in 1988, the volume of premiums exchanged continued its steady increase, rising to an estimated £37.9 million (SFR 100,814,000) in 1989.

### **Regional Associations**

The Association of European Co-operative Insurers (AECI) celebrated its tenth anniversary in November 1988 with a conference in Brussels (Belgium) which looked at the pending developments in the single European market and the role of AECI members. The conference was in part directed towards the EC authorities and other opinion-makers in the community.

A two-day conference in March 1989 was organized by the AECI in Milan, Italy at which European members met with other insurers operating on a non-profit basis to explore possibilities for collaboration in the single European market. In May a meeting of personnel managers was held in Paris, France, to discuss employment and a conference on distribution systems is planned for later in 1989.

The North American Association of the ICIF (NAA-ICIF) annual conference took place in Toronto (Canada) in August 1989. One of the major topics discussed was the implications for co-operative insurers of the globalization of insurance.

The Asia and Oceania Association (AOA) will not be meeting in 1989, but is planning a seminar in Singapore for January 1990.

## INTERCOOP (International Organization for Consumer Co-operative Distributive Trade)



Chairman: Sir Dennis Landau (UK)



Secretary: J.E. Dalgaard Jensen (Denmark)

At the end of 1988 the INTERCOOP Executive Committee consisted of the following: Sir Dennis Landau, UK (Chairman); L. Lewin, Sweden (Vice-Chairman); E. Schuster, Austria (Vice-Chairman) B. Augustyn, Poland; A. Döttge, FRG; R. Leuenberger, Switzerland; J. Nègre, France; E. Rantala, Finland; V. Rasmussen, Denmark; R. Rønning, Norway; A. Severi, Italy; I. Szlamenicky, Hungary.

INTERCOOP is an association of consumer co-operative apex organizations in Eastern and Western Europe, Israel and Japan. 21 central organizations from 18 countries were members of INTERCOOP at the end of 1988.

In many of the member countries the economic situation improved during 1988 and this, together with the prospect of the European Community Single Market of 1992, improved collaboration between the apex organizations.

The non-food sector, which comprises mainly joint buying activities in six regional and 11 international buying groups continued to have a positive development. An agreement was reached with Coop AG (FRG) about its Far East activities and negotiations were started on re-introducing this organization into the joint buying group. Agreement was also reached on the development of a joint brand of audio-visual equipment and a common brand for sports articles in the People's Republic of China. The joint buying of footwear reached its highest turnover ever, and a very successful joint trip was arranged in China for "on the spot" buying of camping articles.

For the Hong Kong based buying office, INTERCOOP Far East Ltd., 1988 was characterized by an increase in the number of orders placed through the office, both in textiles and hardware. The company's 1988 surplus was partly returned to members and partly invested in new Electronic Data Processing (EDP) equipment. A new office was opened in Beijing for the inspection of shipments from the North Eastern part of China and negotiations with the Chinese authorities for improved buying opportunities on a long term basis. Finally, the office space was extended by 50% and a new commission system introduced.



INTERCOOP has established a transport system for all commodities bought in the Far East. The number of containers transported during 1988 increased by 37%, and 83% of all goods bought by INTERCOOP were shipped by the new system. The policy of improving delivery terms, concentrating on few shipping lines and using cheaper lines within the system has proved to be a success.

In the food sector, joint purchases were made through the buying offices of NAF, which are owned by co-ops in Norway, Sweden, Denmark, Finland and Iceland. Knowledge of the local market and "on the spot" orders have made great savings for INTERCOOP members.

Structural changes in the industrial sector have had an impact on the exchange of products from members' factories. Even though the number of factories has decreased, there has been an increase in trade, much of which is due to the establishment of Meira, a company jointly owned by SOK and EKA (Finland).

The exchange of information and experience in retail trade underwent changes during 1988. A new Retail Committee was established so that executives could discuss retail trends, developments and long term strategies. The Committee has the authority of setting up ad hoc working groups and two such groups met in 1988, one on "teleshopping and mail order" and the other on "speciality markets". The permanent working group "Food stores" is now also reporting to the Committee. In 1988 the Committees AGM dealt with "computerized supermarkets" with emphasis on scanning and information systems, as well as management tools like "direct product profitability" and "shelf allocation".

The Warehousing and Distribution group discussed "The introduction of EDP systems" at its AGM, where reports by participants dealt with "system designs", "motivation of staff" and "organizational changes".

Popular topics at Point of Sales Meetings (POS) included information on latest development in electronic cash registers; experiences on test installations, with emphasis on small store terminal solutions; member credit card systems and a general service concept.

In August 1988, an agreement was reached with a German computer company giving financial discounts on products bought by INTERCOOP members.

A "Users Group" has been set up to influence manufacturers to develop equipment according to the specifications of INTERCOOP members.

## **CICOPA (International Committee of Producers' and Artisanal Co-operative Societies)**



Chairman: Yves Régis (France)



Secretary: Lajos Varadi (ICA)

The Plenary Meeting in Stockholm in July 1988, elected the following Executive Committee: Yves Régis, France (Chairman); Wiktor Sielanko, Poland (Vice-Chairman); Marco di Martino, Italy (Vice-Chairman); Alvaro Bonistalli (Chairman of CECOP); István Lendvai, Hungary; Roberto Malucelli, Italy; Sayed Zaki, Egypt; A.K. Agarwal (Chairman of CICOPA-ASIA), replacing Mr. Rai Singh.

During the reporting period the Committee's two main fields of activity were: a) spreading the idea of industrial democracy worldwide and, b) setting up a regional sub-committee network.

- a) The report on the Third World Conference on Participative and Democratic Enterprises held in Paris in February, 1988 has been translated into English from the French original and will be available at the New Delhi meeting. The Spanish member organization, FUNDESCOOP, has undertaken to translate and print the Spanish version.
- b) The process of regionalization is continuing. After CECOP (European Community Committee for Producers' Co-operatives) and CICOPA-ASIA had been set up, steps were taken to create a regional sub-committee in Latin America. A seminar was organized for Latin American co-operatives in San José, Costa Rica in April 1989, where participants agreed that CICOPA-AMERICA-LATINA (CAL) will be created by the end of 1989 and a Preparatory Committee has been set up to that end. A group of Central American co-ops have already established a committee for industrial co-ops, which will be integrated into CAL.

In June of this year, the Chairman met representatives of the Council for West Africa in Niamey, Niger, and as a result, CICOPA-WEST-AFRICA has been set up with Mr. N'Diaye, Senegal, in the Chair. A regional committee will be set up in East Africa in June 1990, when CICOPA Executive Committee members will meet the region's co-op leaders at the Third Ministerial Conference in Nairobi, Kenya.

CICOPA-ASIA is organizing a three-year managerial training course which will be co-financed by the European Community and the Indian government (through the National Co-operative Union of India). CICOPA hopes to organize similar programmes through the other regional committees.



*Worker Co-ops are often promoted by Governments as an answer to unemployment. When new co-operatives are formed they can sometimes obtain aid in training their workers from the Governments or through schemes organized by UN agencies and NGOs*

Over the reporting period, CICOPA has pursued an intensive membership campaign, raising numbers to 60 organizations from 34 countries, so that the Committee is now one of the largest specialized organizations affiliated to ICA.

The subject of the next plenary meeting in New Delhi will be the role of industrial co-operatives in the economic and social development of Third World countries.

### **UITCA (International Committee of Co-operative and Associated Tourism)**



Chairman: Mr. G. Ganneby (Sweden)



Secretary: Ms. F. Marras (ICA)

The Executive Committee elected in Stockholm are: G. Ganneby, Sweden (Chairman); M. Marik, Czechoslovakia (Vice-Chairman); N. Matsui, Japan (Vice-Chairman); G. Lazarek, Poland; S. Merten, FRG; A. Guignand, France; Mr. Putzolu, Italy; A Tòth, Hungary; M. Thiercelin, France; J. L. Pratas Vieira, Portugal; K. Wihlborg, Denmark; B. Ziegler, Austria.



(photo ILO)

*With more and more leisure time available, tourism is a growing market*

The Executive met in Paris in January 1989. A committee survey on ICA member organizations had clearly indicated a strong development in co-operative tourism. The Executive discussed how to use this potential to revitalize the Committee and to adapt it to the needs and expectations of member organizations. As a first step toward strengthening the Committee, the annual dues were brought up to a level which would allow it to perform and develop in an efficient and effective manner. Of the 212 organizations which were contacted for the survey, 36 responded (17%). Nineteen organizations who expressed a desire to join the Committee were admitted to membership by the Presidium at its February meeting, bringing the total number of members to 29 from 23 countries.

During the year the Committee continued to work in collaboration with the International Federation of Popular Travel Organizations (IFPTO) and the Bureau International du Tourisme Social, Brussels (BITS). Mr. Marik attended the BITS International Week of Social Tourism and Youth in Brussels in April, and there are plans to organize a joint meeting between UITCA and BITS during 1990, which will be celebrated as the International Year for Tourism in Europe. The committee hopes that, through collaboration with IFPTO & BITS the three organizations can identify and eliminate duplication of tasks and thus improve overall efficiency.

The Chairman established contacts with co-operative organizations in Great Britain, Portugal, Turkey and the People's Republic of China to discuss future collaboration. The Chairman also had a meeting with the Chief of the ILO Hotel and Tourism Branch in Geneva which led to an ILO offer of support to UITCA.

At the next meeting in New Delhi, the Committee will agree on a future workplan based on the input received from its members.

Messrs. Champeaux and Thiercelin resigned from their respective posts of Secretary-General and Treasurer. The Secretariat for the Committee is now located at ICA Geneva and assumed by an ICA staff member. This is a direct consequence of the new ICA policy to strengthen links with its Specialized Organizations. A treasurer will be appointed at the next meeting in New Delhi.



## Women's Committee



Chairman: Norah Willis (UK)



Secretary: Muriel Russell (UK)

The rules of the Committee provide for the election of a new Executive Committee at the next plenary meeting following an ICA Congress. Nominations at present received number 59 from 34 countries. The present Executive members are: Norah Willis, UK (Chairman); Evgenia Vasyukhina, USSR (Vice-Chairman); Ludmila Alipieva, Bulgaria; Dagmar Lastovkova, Czechoslovakia; Ada Gillan, Israel; Bernadette Wanyonyi, Kenya; Ramani Gurusamy, Malaysia; and Josefa Palmowska, Poland. We have been notified that Messrs. Alipieva and Lastovkova will retire from the work of the Committee and record our appreciation of their valuable contribution over many years.

During the reporting period collaboration has accelerated with UN Agencies and INGO's. The Chairman took part in a seminar for women in Africa, which was organized jointly by Centrosoyus and the ILO in Moscow in July 1989.

A short statement, prepared by a London-based organization of international womens' non-governmental organizations, on "Women, Education and the Eradication of Illiteracy" which emphasized the involvement of co-operatives, included the Women's Committee among the signatories, when it was presented to the UN Status of Women Commission in Vienna in March 1989.

The highlight of the year was the successful seminar which took place in Israel, in November/December 1988. Twenty-two women from 20 countries, representing four continents, met in the Afro-Asian Institute in Tel-Aviv to examine and exchange experience in the field of credit and savings in co-operatives. The feed-back already shows that the pooling of ideas has been positive and rewarding. In addition, it was a good example of successful collaboration between ICA member organizations. Histradut, ICA member organization from Israel and the World Council of Credit Unions were extremely generous in financial and human resources and the women's committee would like to acknowledge financial assistance from UNIFEM, UNESCO and the Overseas Development Agency (UK).



The Women's Committee welcomed the opportunity to hold a joint meeting with Working Party on Co-operative Communications when both groups were invited to hold their respective meetings in Berlin (GDR). Such invitations help extend our work and promote understanding among ICA Specialized Organizations.



(Photo ILO)

*Women are occupying increasingly responsible posts and moving into areas previously reserved for men*

On a sad note, the Committee mourns the passing of two very able women Co-operators, Barbara Deverick (USA) who devoted much of her working life to the encouragement of women in the developing countries and Margaret D'Cruz, long-time Woman Officer at the S.E.Asia Regional Office, well known for her promotion of women's projects.

### **INCOTEC (Co-operative Training and Education Committee)**



Chairman: Dr. Robert Houlton (UK)



Secretary: Cecilia McNicholas (UK)

In July 1988 in Stockholm, AGITCOOP, an advisory body to the ICA, was reborn as INCOTEC, and recognized as a fully-fledged ICA Specialized Organization for international co-operative training and education. An Executive Committee was elected comprising Robert



Houlton, UK (Chairman); Y. Paz, Israel (Vice-Chairman); U. Aziz, Malaysia (Vice-Chairman); F. Baulier, France; R. Singh, India; C. Cicheru, Kenya; L. Schujman, Argentina; R. Otto, GDR; M. Jonsson, Sweden; S. Zsarnoczai, Hungary. At the same time, the constitution was revised, objectives and a long-term work programme set. There are two main areas to the long-term work programme: administration and current work.

### **Administration**

1988/89 has been a year of preparation, planning and change, with a great deal of activity to ensure the success of INCOTEC in future years taking place behind the scenes. A year of preparing the ground, so the seed may be sown and the crop harvested.

Emphasis has been placed on secretarial services and membership recruitment. The membership system is nearly ready for launching. The scheme includes information leaflets, membership packs and a register of members. The final stages of the administration programme will involve further collaboration with the Material and Techniques for Co-operative Management (MATCOM) project, the Committee for the Promotion and Advancement of Co-operatives (COPAC) and the Research Register.

### **Current Work Programme**

Two major items for the current work programme were approved at the plenary meeting in Stockholm in 1988 and are already in operation:

The Chairman and two Vice-Chairmen of INCOTEC met with Bruce Thordarson, Director of ICA, Bernt Adelstal of the Swedish Co-operative Centre (SCC), and SCC/ICA Consultant, Lennart Skaaret. The meeting reviewed Mr. Skaaret's evaluation of the ICA's Regional Offices and Human Resource development. Following the meeting it was agreed that INCOTEC would assist the ICA in developing the concept of Human Resource Development identifying appropriate performance indications, and that the INCOTEC Executive would keep in consideration the existing and future roles of the ICA's Regional offices.

A major conference and workshop is planned for August 1990, in Turin, Italy, on the theme "Management Development in Co-operative and Mutual (People-Focused) Businesses". The event will be of value to business schools, universities, polytechnics and government training centres as well as to management and training staff of co-operatives, development agencies, non-governmental organizations, charities, credit unions and mutual organizations.

## Banking Committee



Chairman: T.J. Thomas (UK)



Acting Secretary: R.K. Jones (UK)

The current membership of the Committee is drawn from co-operative banks and financial institutions from over forty countries throughout the world. The Committee provides a forum for exchange of banking information, the stimulation of business between members and the encouragement of new co-operative financial enterprises.

In accordance with the Rules and Regulations adopted by members in 1987, and with the ICA policy on the self-funding of Specialized Organizations, a modest membership fee has been adopted.

A new Executive Committee appointed at the plenary meeting in Stockholm in 1988, comprised the following: T.J. Thomas, UK (Chairman); E.K. Mureithi, Kenya, (Vice-Chairman); J. Moreau, France (Vice-Chairman); C. Bunwaree, Mauritius; J. Duramé, France; D. Grethe, Switzerland; P. Gulaker, Norway; G. Persson, Sweden; K. Vogelsang, Switzerland; A. Yuhtman, Israel.

Early this year, the new Executive set in motion studies of three important areas of concern. Those studies will be co-ordinated by the President and the two Vice Presidents, with the assistance of the Secretariat, now located in Manchester. The first study is to assess practical opportunities for support of co-operative banks in less developed countries, both by direct help and in collaboration with development agencies. In that regard, the Executive intends also to improve links with Regional Committees in Africa and Asia. The second report is an evaluation of the implications of the Single Market in Europe, particularly the European Community's Second Banking Directive, and its impact on banking institutions both there and, consequentially, throughout the world. Finally, there are the on-going concerns with finding effective ways of promoting business between Banking Committee members and the exchange of technical and trading information. Comments from Banking Committee members on any of these aspects are always welcome.

An exchange programme is also being developed for young employees of banks in membership of the Committee, to enable them to study banking operations in other countries and foster closer contact and understanding.



*Above: The new technology behind the changing face of co-operative banking, and Below: The new technology provides closer links between co-operative banking and consumer co-operative members*



The past year has seen continued rapid changes in financial markets world-wide and in the range of financial services now required by members of consumer, worker, housing and other co-operatives. The Banking Committee is also, therefore, seeking to reinforce its ties both with other co-operative financial institutions, such as the World Council of Credit Unions, and with co-operative organizations in other sectors, with a view to pursuing active collaboration in areas of mutual co-operative interest.

## Working Party on Co-operative Communications (WPoCC)



Chairman: Milton MacKenzie (Canada)



Secretary : Mary Treacy (ICA)

### Executive Committee

A new Executive Committee was elected during the ICA Congress in Stockholm in July 1988, comprising Milton MacKenzie, Canada (Chairman); Anatoly Fomin, USSR, (Vice-Chairman); José Araujo Barbosa, Portugal; Poul Dines, Denmark; Kamal Aboul-Kheir, Egypt; Iain Williamson, UK.

The April 18 meeting of the WPoCC Executive was hosted by Verband der Konsumgenossenschaften der DDR (VdK) in East Berlin. The major issues dealt with included African journalists workshop, photo contest, joint meeting with the Women's Committee, and collaboration with the Working Party of Co-operative Librarians, Information and Documentation Officers (WPoCLIDO). The following day a joint meeting was held with the Women's Committee to discuss collaboration between the two groups. The group also visited the campus facilities of the International Institute of Journalism, which provides training courses for journalists from developing countries.

### Photo Contest

The working party is organizing a worldwide photo competition with the title "The Worldwide Co-operative Family". The project has been offered by ICA member organization Verband der Konsumgenossenschaften (GDR), which will also finance an exhibition of winning photos in Berlin to coincide with the ICA Central Committee meeting in 1991. The competition will be officially announced at the New Delhi Central Committee Meeting.

### Journalists Workshop

Plans for a proposed sub-regional workshop for co-op journalists in East, Central and Southern Africa had to be cancelled due to the lack of follow-up by the requesting organization in Zimbabwe. WPoCC funds, which had been set aside for this workshop, will be allocated to a similar project in co-operation with the ICA Regional Office for East, Central and Southern Africa.

### Reporting at ICA Meetings

The working party assisted the Swedish host organizations and ICA Communications Department to produce a daily newsletter during the Stockholm Congress. Delegate reactions have been universally positive. Thus encouraged, the group has committed its members to



*Working Party members meeting with the Women's Committee Executive in Berlin in April 1989*

similarly assist the Communications Department and Indian hosts to produce a Central Committee News at the October meetings in New Delhi, provided that the production costs be met by the host organization.

#### **Directory of Co-operative Press**

Co-op Novos Pioneiros, Working Party member from Portugal, has undertaken to update and reprint the Directory of Co-operative Press on a regular basis. The next edition will be issued in 1990.

#### **Working Party on Co-operative Research, Planning and Development**



Chairman: Garth Pratt (UK)



Acting Secretary: Sven Ake Bööck (Sweden)

The Executive Committee, elected during the last plenary meeting in Sweden, are the following: Garth Pratt, UK, (Chairman); Sven Ake Bööck, Sweden, (Vice-Chairman and Acting-Secretary); Kai Ilmonen, Finland; Stefano Zan, Italy.

The working party organized an international research congress in Stockholm in July 1988 in collaboration with the Swedish Co-operative Institute and the Swedish Society for Co-operative Studies in which approximately 75 researchers from 18 countries participated. Various working groups discussed different aspects of the theme "Trends and Traditions in Co-operative Development and Change". A report on the proceedings will be published in September 1989.

The conference decided to build up an international network of researchers interested in co-operative issues, and the Swedish Society for Co-operatives Studies has begun to compile the necessary information; the first issue of a contact newsletter with addresses, research interests, etc, will be mailed to researchers in Autumn 1989. The conference drafted a resolution to the ICA Congress to call ICA members' attention to co-operative research.

The working party's annual seminar for 1988 was hosted in Bologna from November 11 - 14, with 20 delegates participating from eight countries. The main theme was "New Perspectives on Co-operative Development and Research". A preliminary report of the seminar is available from the Secretary. ICA Director, Bruce Thordarson, participated in the seminar and gave positive feed-back on the draft resolution to the Stockholm Congress. A special committee was elected to work out guidelines for a co-operative research programme for the next 5 years and to develop a strategy for membership renewal. This committee met in Budapest in May to finalize the draft programme and strategy. The working party intends to arrange one or two seminars each year and a full conference each third or fourth year. The working party has also decided to publish a Year Book containing articles on each year's themes.

The plenary meeting and the 1989 annual seminar will take place in New Delhi in conjunction with the Central Committee Meeting. The theme will be "Co-operative Organizations and the Political System", especially as this relates to co-operative values and principles. In May 1990, a seminar is planned on the theme "Internal Dynamics of Co-operation" with a special sub-theme on "Co-operatives as Agents for Economic Democracy, Participation and Mobilization". The party has also started collaborating with EGOS (European Group of Organizational Studies) and the two organizations are planning a joint seminar in 1991. The Working Party also intends to organize an international research conference with Japanese researchers and research organizations in conjunction with the Tokyo Congress in 1992. Documents on all the activities of the party are available from the Secretary.



## Working Party of Librarians, Information & Documentation Officers (WPoCLIDO)



Chairman: Bernard Howcroft (UK)



Secretary: Aline Pawlowska (ICA)

During its meeting in Geneva in October 1988 the working party took the following decisions:

- to change the name of the working party to WPoCLIDO - Working Party of Co-operative Librarians, Information and Documentation Officers - in order to enlarge its membership.
- to implement a subscription fee so that the working party would have its own budget for projects.
- to send a questionnaire to all ICA member organizations to establish their interests in participating in the work of WPoCLIDO.
- to hold the next plenary meeting in New Delhi, India.

The questionnaire was sent with a memorandum describing the past achievements of the working party, a mission statement and a tentative work plan. Fifty replies from 32 countries indicated that 38 members would be willing to participate in the work of the group and 33 of these were willing to pay a subscription fee.

The questionnaire asked for proposals for a future work plan. Respondents stressed the need for the exchange of current acquisition lists, compilation of lists of outstanding co-operative publications to be published annually by country and an up-to-date directory of co-operative libraries.

The questionnaire also revealed that potential members from developing countries were interested in receiving assistance and guidance in setting up or modernizing a library, professional training for librarians and access to new technology.

Respondents also advised the creation of regional sub-committees so members could examine regional situations in more depth. This would also allow librarians in the regions to attend WPoCLIDO meetings without incurring too many travel costs. The elected Chairmen of the regional sub-committees would have a guaranteed seat on the WPoCLIDO Executive which would serve as liaison between the regions.



## REPORT OF THE AUDIT AND CONTROL COMMITTEE

### 1. Members of the Committee



Hans Thuli (Chairman)



Heinz Fahrenkrog



Erlendur Einarsson



Ivar Hansen

### 2. Meetings

Two meetings have been held:  
25 November 1988 and  
5 May 1989, both in Geneva.

### 3. Organization

An Organization Chart exists for the Secretariat in Geneva, structured on the basis of functions and ensuring an effective control.

For the first time, each individual section has developed a detailed annual workplan, which is directly linked to the 1989 Budget.



## 4. Financial Situation

### 4.1 Routine Control

A financial status report is compiled monthly giving information on revenue and expenses compared to the budget for the current month, the accumulation from the start of the year and the projection for the full year. The net results are also reported for each section. This statement, supported by a monthly balance sheet, provides the necessary regular information to all those concerned.

### 4.2 Membership Subscriptions

By the end of March 1989 approximately 80% of the annual subscriptions had been received; this percentage had risen to around 85% by the end of April. Although this is a comparatively good situation, it still means that there was SFR 250,000 outstanding on 31 March.

The Audit and Control Committee, therefore propose that in future, those members who have not paid up their dues by 30 June, shall be required to pay an additional 5% on their subscription as a compensation towards the loss of interest and to cover additional administrative costs to the Secretariat. We also propose that the minimum subscription be gradually increased and, as a first step, be raised from SFR 750 to SFR 1,000 for 1990.

### 4.3 1988 Annual Accounts

Details of the 1988 Results are enclosed in Appendix I-IV. The Audit and Control Committee notes with satisfaction the general improvements over Budget and Previous Year, and in particular, that 1988 ended with an operational surplus of SFR 136,112. The 1987 surplus was 161,477, but as nearly half of this was money recovered from previous years, it was not a pure operational surplus as is the case in 1988. After having covered the deficit of SFR 83,008 brought forward from the previous year, the ICA Reserves now carry a positive balance of SFR 53,104. Appendix III gives a consolidated overview of the total costs and how these were covered. It should be noted that, out of the Other Revenue of SFR 404,659, around SFR 165,000 are contributions in the form of salaries for two staff members who are seconded to the Secretariat by the Swedish Co-operative Centre and Centrosoyus. In summary, the situation is as follows:

	<b>SFR</b>	<b>%</b>
Total Costs	5,802,221	100
	=====	===
These are covered by:		
- Direct Development Support	- 3,485,486	60.1
- Utilization of Funds	- 117,586	2.0
- Member Subscriptions	- 1,741,948	30.0
- Interest	- 37,957	0.6
- Sales of Publ./Service	- 150,427	2.6
- Other Revenue	- 404,659	7.0
	-----	----
Remaining Surplus	+ 136,112	+ 2.3

The Balance Sheet reaches a total of SFR 3.1 Million. This is a net total after considering the accumulated depreciations on Furniture & Equipment. The Development Fund shows a balance of SFR 191,533, which should be sufficient to cover the support to the Regional Offices until the second half of 1990. Thereafter, this support will have to be covered from the current revenue of the Secretariat, unless other sources of funding are found.

As in the past, ICA Domus Ltd is not included in the 1988 Consolidated Accounts. This company, which owns Bonow House in New Delhi, has a separate account and is subject to a separate audit.

The Audit and Control Committee discussed the 1988 accounts, activities and results with the auditors, Arthur Young & Company SA and, on the basis of their findings, can conclude that the 1988 Financial Statements are correct and complete.

## **5. Development Projects**

The Audit and Control Committee have discussed the current projects, their life-span and the amount of support involved with the ICA Secretariat. These projects are included in the consolidated accounts.

## **6. 1989 Budget**

At the Audit and Control Meeting in May, it was noted that the 1989 Budget, as approved by the Executive Committee, included a proper operational break-down by section as well as by month. This budget aims at a yearly surplus of SFR 135,000. The construction gives the necessary tool for a detailed monthly budget control.

## **7. Summary**

The Audit and Control Committee has established that the financial position of ICA has improved considerably and that every effort is being made to reach and even surpass the set goals and budgets in terms of quantity as well as quality.

In conclusion, the Audit and Control Committee believes that the Director, his Management and all staff members deserve appreciation and recognition for their good work.



## STATEMENT OF EXPENSES AND SUPPORT 1988

(in Swiss Francs)

### COMPARISON TO PREVIOUS YEAR

Appendix I

	Actual 1988	Actual 1987	Variance	
				%
<b>REVENUE</b>				
Subscriptions	1,741,948	1,708,669	33,279	1.9
Interest	37,957	58,600	(20,643)	(35.2)
Sales of Publications/Services	150,427	91,395	59,032	64.6
Other	404,659	268,018	136,641	51.0
Total	2,334,991	2,126,682	208,309	9.8
Funds	117,856	149,734	(31,878)	(21.3)
<b>TOTAL</b>	<b>2,452,847</b>	<b>2,276,416</b>	<b>176,431</b>	<b>7.8</b>
<b>EXPENSES</b>				
Net Expenses at Head Office	2,198,879	1,965,205	(233,674)	(11.9)
Net Support to Regional Office:				
- Asia	45,712	50,000	4,288	8.6
- East, Central & Southern Africa	44,562	50,000	5,438	10.9
- West Africa	27,582	49,734	22,152	44.5
Total	117,856	149,734	31,878	21.3
<b>GRAND TOTAL</b>	<b>2,316,735</b>	<b>2,114,939</b>	<b>(201,796)</b>	<b>(9.5)</b>
<b>SURPLUS OF ACTIVITY 1988</b>	<b>136,112</b>	<b>161,477</b>	<b>(25,365)</b>	<b>(15.7)</b>

## STATEMENT OF EXPENSES AND SUPPORT 1988

(in Swiss Francs)

### COMPARISON TO BUDGET

Appendix II

	Budget 1988	Actual 1988	Variance	
				%
<b>REVENUE</b>				
Subscriptions	1,625,00	1,741,948	116,948	7.2
Interest	50,000	37,957	(12,043)	(24.1)
Sales of Publications/Services	90,000	150,427	60,427	67.1
Other	448,000	404,659	(43,341)	(9.7)
Total	2,213,000	2,334,991	121,991	5.5
Funds	150,000	117,856	(32,144)	(21.4)
<b>TOTAL</b>	<b>2,363,000</b>	<b>2,452,847</b>	<b>89,847</b>	<b>3.8</b>
<b>EXPENSES</b>				
Net Expenses at Head Office	2,143,000	2,198,879	(55,879)	(2.6)
Net Support to Regional Office:				
- Asia	50,000	45,712	4,288	8.6
- East, Central & Southern Africa	50,000	44,562	5,438	10.9
- West Africa	50,000	27,582	22,418	44.8
Total	150,000	117,856	32,144	21.4
<b>GRAND TOTAL</b>	<b>2,293,000</b>	<b>2,316,735</b>	<b>(23,735)</b>	<b>(1.0)</b>
<b>SURPLUS OF ACTIVITY 1988</b>	<b>70,000</b>	<b>136,112</b>	<b>66,112</b>	<b>94.4</b>



## STATEMENT OF EXPENSES AND SUPPORT 1988

(in Swiss Francs)

Appendix III

	REGIONAL OFFICES				Coop-Trade	Head Office	GRAND TOTAL
	Asia	East, Central & Southern Africa	West Africa	TOTAL			
<b>EXPENSES</b>							
Personnel	221,957	113,782	292,185	627,924	110,251	1,505,714	2,243,889
Travel	607,011	121,721	75,045	803,777	51,000	126,978	981,755
Outside Services	161,121	16,421	19,540	197,082	87,872	161,285	446,239
Premises	74,032	10,859	67,876	152,767	0	249,766	402,533
Office	74,142	103,919	30,990	209,051	29,253	239,861	478,165
Publications	27,800	2,027	0	29,827	0	89,192	119,019
Meetings	1,105	48,680	13,433	63,218	2,119	249,396	314,733
Financial	2,930	0	643	3,573	2,301	56,144	62,018
Project Activity	303,776	0	179,241	483,017	0	270,853	753,870
<b>TOTAL</b>	1,473,874	417,409	678,953	2,570,236	282,796	2,949,189	5,802,221
<b>COST MET BY</b>							
Direct Support							
SCC - Sweden	621,668	325,022	0	946,690	272,387	607,599	1,826,676
MAFF - Japan	726,152	0	0	726,152	0	0	726,152
SDID - Canada	0	0	178,801	178,801	0	130,553	309,354
RNSRD - Norway	0	0	262,481	262,481	0	0	262,481
JCCU - Japan	48,956	0	0	48,956	0	0	48,956
CCA - Canada	0	0	0	0	5,481	12,158	17,639
SOCODEVI - Canada	0	0	10,438	10,438	0	0	10,438
Member Organisation	8,682	45,481	147,191	201,354	2,058	0	203,412
Other	22,704	2,344	52,460	77,508	2,870	0	80,378
Total	1,428,162	372,847	651,371	2,452,380	282,796	750,310	3,485,486
Funds	45,712	44,562	27,582	117,856	0	0	117,856
<b>NET COST</b>	0	0	0	0	0	2,198,879	2,198,879
Subscriptions							1,741,948
Interest							37,957
Sales Publ./Services							150,427
Other							404,659
<b>SURPLUS 1988</b>							<b>136,112</b>
Deficit 1987							83,008
<b>NET SURPLUS 1988</b>							<b>53,104</b>

## INTERNATIONAL CO-OPERATIVE ALLIANCE

### BALANCE SHEET

Appendix IV

December 31, 1988 and 1987

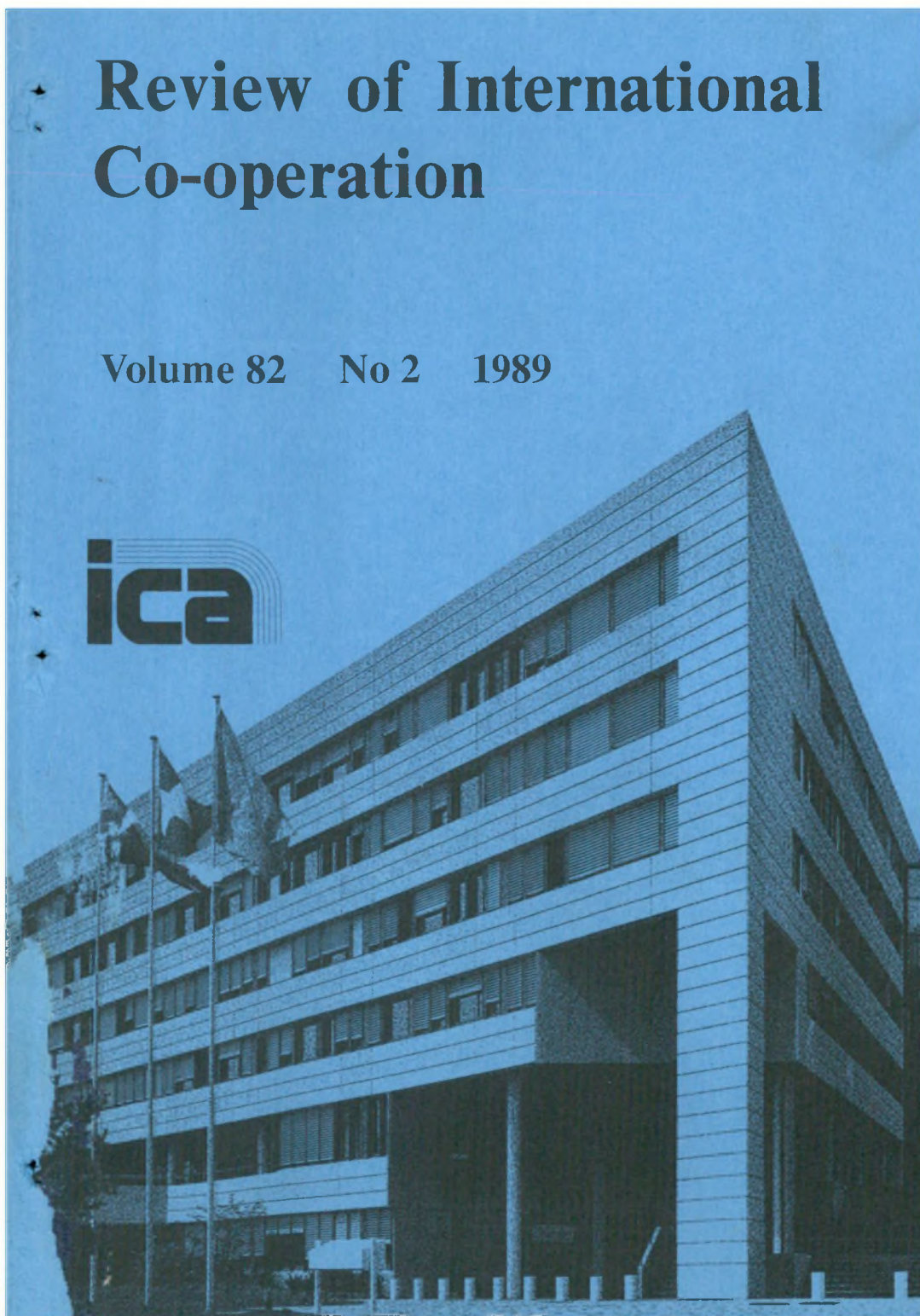
(Expressed in Swiss Francs)

ASSETS	1988	1987
Current assets		
Cash, including interest-bearing deposit accounts of SFr. 1,405,527 (1986 SFr. 1,270,135)	2,515,341	2,154,999
Account receivable and prepayments	466,723	394,384
Total current assets	<u>2,982,064</u>	<u>2,549,383</u>
Furniture and equipment		
At cost	272,014	218,634
Accumulated depreciation	(212,681)	(172,640)
Net furniture and equipment	<u>59,333</u>	<u>45,994</u>
Other assets		
Investments	1,588	1,602
Deposits and guarantees	48,299	36,151
	<u>49,887</u>	<u>37,753</u>
	<u>3,091,284</u>	<u>2,633,130</u>
 <b>LIABILITIES, FUNDS AND RESERVES</b>		
Liabilities		
Creditors and accrued expenses	677,846	1,017,435
Deferred revenue/Support	1,389,778	615,647
Total liabilities	<u>2,067,624</u>	<u>1,633,082</u>
Commitments		
Funds		
Reserve Fund	750,000	750,000
Development Fund	191,533	304,033
West Africa Fund	29,023	29,023
	<u>970,556</u>	<u>1,083,056</u>
Reserves		
Revenue (deficit) accumulation account	53,104	(83,008)
	<u>3,091,284</u>	<u>2,633,130</u>

# Review of International Co-operation

Volume 82 No 2 1989

**ica**





# Review of International Co-operation

Vol. 82 No. 2/1989

Editor: Mary Treacy



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राष्ट्रपति  
भारत गणतंत्र  
**PRESIDENT  
REPUBLIC OF INDIA**

M E S S A G E

I am happy to know that National Cooperative Union of India is hosting the Central Committee Meeting of International Cooperative Alliance from 4th to 8th October, 1989 in New Delhi.

I hope this opportunity will be used as an occasion to create all round awareness and understanding among the masses, of the principles and philosophy and concept of the cooperative movement and its role as an instrument of economic change for the weaker sections of the Indian population.

I congratulate the National Cooperative Union of India and the International Cooperative Alliance on this occasion and wish the deliberations all success.

*R. Venkataraman*

New Delhi,

R. VENKATARAMAN

August 9, 1989



PRIME MINISTER

MESSAGE

The cooperative movement has the potential of playing a crucial role in economic progress and the all-round development of society. Voluntary efforts by groups of people for their own development and the development of society characterises the movement. The spirit of self-help which is the driving force behind the cooperative movement, constitutes its greatest strength. In developing countries particularly, the cooperative movement by providing opportunities for popular participation can play a significant role in accelerating the pace of development and improving the quality of life of the people.

I am happy to learn that the National Cooperative Union of India is hosting the meeting of the Central Committee of the International Cooperative Alliance. This will provide a good opportunity for cooperators from different countries to exchange experiences. This meeting will, I am sure, help in further strengthening the cooperative movement. I extend a particularly warm welcome to the delegates coming from abroad and wish the meeting all success.

New Delhi  
August 2, 1989



R. Venkataraman  
President, Republic of India



Rajiv Gandhi  
Prime Minister of India

Dear Readers,

15 August, 1989

In preparation for the Central Committee in New Delhi in October 1989, we have compiled this special issue on Co-operatives in India to give our members an overview of the movement in this country.

This has been made possible through the co-operation of eminent Indian co-operators who have supplied articles and photographs, often at very short notice.

We would especially like to thank the National Co-operative Union of India (NCUI) and the ICA Regional Office for Asia whose help in co-ordinating this project has been invaluable.

We take this opportunity to wish our members a successful meeting in New Delhi.

Mary Treacy  
Editor

Laura Wilcox  
Editorial Assistant

# Indian Co-operative Movement

## Present Situation and Future Prospects

By G.K. Sharma\*

To understand the present, we must look into the past. The future is built on the experiences of the past and realities of the present. So, let us first look back at the origin of the Co-operative Movement and what its founding fathers visualized and expected from it.

In most countries before industrialization, helping each other was a way of life. In India a strong sense of community and the extended family formed the base of society. No one was free from social obligations and family discipline and everyone abided by them. This was possible due to a decentralized agricultural economy in which people had to live and work together. Industrialization and urbanization changed the traditions, values and way of life. The extended family changed to the nuclear family, and state laws replaced community sanctions. Individual liberty gained priority over family security.

The present form of the Co-operative Movement began as a voluntary



movement in the West during the first half of the nineteenth century. This period was dominated by the concept of economic liberalism. In the words of Dr. Mauritz Bonow, then Director of ICA, the state preferred to remain a "Night-Watchman". The concept of social security did not yet exist and, therefore, the idea of Co-operation was enthusiastically received. People joined together, not only to improve their economic condition but also to build a society where exploitation would not be allowed. Thus when 30 weavers, known as the Rochdale Pioneers, joined together on 15th August 1844 in a co-operative society at 31 Toad Lane and established the Rochdale Equitable Pioneers' Society, they had a dream; a vision, not only for themselves but for society in general, particularly the

\* G. K. Sharma is Director of the ICA Regional Office for Asia.

downtrodden of the world. They wanted a society free from exploitation, where people could depend on each other and could help each other.

In India, the initiative to start co-operatives came from the colonial government. In fact, any initiative from the people would have been looked upon suspiciously from a political angle and would never have been allowed to grow. To quote Dr. D.R. Gadgil, the well-known economist and co-operator: "In colonial regimes, initiatives concerning co-operate activity were almost invariably taken by government and its officers. There was a special reason for this. It was that the operation of colonial regimes themselves resulted to a large extent in putting down growth and activity of natural leaders in indigenous society. The need to maintain an alien regime necessarily led to discouragement of any large upsurge of spontaneous activity among governed societies as this might lead eventually to agitation for change in the colonial regime". Thus the Co-operative Movement in India was introduced by the British Government for the credit needs of small farmers following the Raiffeisen model in Germany. Earlier co-operatives were small credit societies whose members had liability for their common debt. Though a few co-operatives had been organized during the end of 19th century, the growth of the co-operative movement in India was a tool of government policy to the people's goodwill, whilst closely supervising the co-operatives' activities.

### **Post-independence thinking**

However, after independence the situation changed. The national leaders were firmly in favour of a strong co-operative movement to transform the rural economy. The Congress Party firmly believed in the relevance and potential of the co-operative movement for Indian rural development. It conformed to their political commitment to establish a decentralized economic order in which people could participate.

Pandit Nehru, the first Prime Minister of India, had a firm conviction in people's institutions like co-operatives and panchayat, and envisaged a future for the co-operative movement in India. He considered co-operatives, panchayat and school as three pillars of democracy in India, and said: "You cannot have a Parliament floating in the air without that strong foundation which, in the India of today, invariably lies in the villages as well as in other places". He frequently explained his views on the future role of co-operatives in Parliament and on public platforms.

While addressing the Third Indian Co-operative Congress, in April 1958, Pandit Nehru stated the background of the AICC's decision to adopt a co-operative commonwealth as its objective. He stated: "But if we value individual freedom, as many of us do, how are we to find a balance between keeping that individual freedom and, at the same time, getting out of the clutches of an acquisitive society where indeed individual freedom only rests

in theory, not in practice? ... Now, the Co-operative Movement seems to offer a philosophy, a method of approach, which would aim at this kind of social purpose without infringing too much on individual freedom. Therefore, naturally many of us were attracted to that ideal ... Many years ago the Indian National Congress accepted as its objective the creed of a Co-operative Commonwealth for India. We were often asked what that meant, and it was not particularly easy to define in precise terms. This did not mean that the idea was a weak one, but not rigid enough to allow a precise definition. It was, nevertheless, a good idea."

Co-operatives in free India were not only viewed as an agency to provide credit, inputs, marketing or jobs. Co-operation was visualized as a way of life for the people; the foundation of economic democracy, the training ground for political democracy.

### **Present progress**

As the post independence political leadership was committed to co-operative philosophy, the government's Five Year Plans supported co-operative development with liberal financial assistance on the recommendation of the All India Rural Credit Survey Report. As a consequence of this, government officials were nominated to the managing committees and many were deputed as managers to assist fast expansion. Targets were assigned for organizing new co-operatives under the plan. Thus, practically every village in India has a co-operative. They operate in practically every sphere of

economic activity and they have made phenomenal progress in many sectors, particularly in sugar production, fertilizer production, dairy farming, etc.

Sugar co-operatives account for 4.75 millions tonnes or 55.9% of production (1985-87). IFFCO and KRIBHCO, the largest fertiliser producing factories in Asia, together have 10.3 million tonnes of storage capacity and are responsible for 3.8 million tonnes, about 30% of India's total output.

Co-operatives have a vast network, covering even the most remote parts of the country and making substantial contributions to the national economy. However, a large number are either not financially viable or, though fairly strong and successful, miss the spirit of co-operation.

Nevertheless, there are many successful co-operatives, particularly in the dairy, sugar and fertilizer industries, showing better performance than both private and public sectors. Despite this, the public image of the co-operation system leaves much to be desired. People do not treat it as their movement, or give it the respect and support it deserves. One reason for this is that the initiative for organizing co-operatives came from government and not from the people and thus the Movement lost its basic character. People with vested interests gained control of the co-ops, and committed leaders and workers were either ousted or became frustrated.

### **What went wrong**

The question therefore arises as to what went wrong. Pandit Nehru believed that the Government had made a mistake in accepting some of the decisions of the Rural Credit Survey Committee which tended to push the Co-operative movement in India in the wrong direction. The Committee recommended that Government officials come in and run the co-ops and that Government money should finance them. Nehru originally felt that the small co-operative did not have enough resources or competent technical personnel and, therefore, larger co-ops should be started and financially supported by the State. Later he admitted that the approach offended the Co-operative philosophy because it did not "allow the people to learn how to do things for themselves, how to develop a spirit of self-reliance, self-dependence, and even to make mistakes if they have to make mistakes". If we want a strong, genuine Co-operative Movement in India which can fulfil its members' expectations, it will have to be democratically managed, follow the declared Co-operative Principles and abide by certain basic values.

### **Basic values**

The founders of the Co-operative Movement believed in the equality of human beings and in democratic management. Co-operatives have an ideological base, economic objects and social approach and content. Hence, the basic values of co-operatives are ideological, economic and social. None can be overlooked or under-estimated.

These values could be promoted through the adoption of Co-operative Principles as declared by the ICA.

The Co-operative Movement is a movement based on values. If these values are infringed the organization is co-operative only in the eyes of co-operative law and not genuinely co-operative.

### **Elements of success**

For a successful public and private sector enterprise, competent professional management is the most important factor, enabling the private sector, to make a good profit and the public sector to achieve the objects assigned to it. For co-operatives, competent management alone is not enough. Three elements are most important for their successful working. They are:

- i. dedicated leadership,
- ii. professionally competent management, and
- iii. enlightened membership.

### **Leadership**

Members' initiative and dedicated leadership are the most important elements in the development and working of an effective co-operative movement. As stated earlier, the initiative for co-operative movement in India came from the British, who wished to give some relief to small farmers who were being exploited by village money-lenders and thus check ill will towards the government. They did want the local initiative and independent lead-



ership to develop. Thus the sources of leadership, and its quality, were subject to grave limitations.

During the post-independence period the situation did not change and has considerably deteriorated, even after 40 years of independence. The conventions laid down by the foreign regime at the beginning of the century are being followed on a much larger scale today. In fact, during British rule the government was extremely careful in identifying the co-operative leaders, who were properly briefed about their responsibilities. It played its role behind the scene, and did not openly interfere in the working of the co-operatives because it was concerned about its image. Today, it is not uncommon to see the elected leadership being dislodged if it is not to the liking of the party in power. The Registrar of Co-operative Societies, who was supposed to ensure timely and fair elections every year, has become a tool for their obstruction. The friend, philosopher and guide has become the omnipotent Brahma, Vishnu and Mahesh and even those co-operatives which are financially strong and get no financial assistance from the government are not free to elect their own officials.

### **Professional managers**

The co-operative movement in India started as a credit movement in which each member had a stake. In due course, the concept of unlimited liability was replaced by limited liability. This changed the character of the movement considerably. Although largely necessary, it encouraged inactive

membership and indifferent or unaccountable leadership.

The co-operative movement has also changed since then in size as well as in quality and character. Thus, the concept of honorary management and leadership needs re-consideration in today's situation. The Co-operative Movement is no longer a simple credit movement. Its members have no direct financial stake except the small amount of share capital subscribed. Here I would like to quote Dr. D.G. Karve, another well known co-operator who was also Chairman of the ICA Commission on Co-operative Principles. Addressing a Conference on Co-operative Leadership, he said: "Following the Raiffeisen model as it operated in Germany towards the end of the last century, Indian co-operators had learnt in large measure to equate co-operative with honorary management. With the extension of Co-operation in fields where regular, skilled and responsible direction of business is inevitably called for, either because of the size or complexity of business, the honorary management principle became inappropriate, and served to prolong conditions of mismanagement and inefficient management."

To succeed, a co-operative needs an efficient, competent professional management. It is immaterial whether it is elected or appointed, but the co-operative should have the authority to select or appoint it. Management should have freedom to operate and should be evaluated on its performance and competence.

### **Enlightened membership**

A co-operative is owned by its members. It belongs to them and is meant to serve them. They should also know their responsibilities and obligations. Unfortunately, this is not the case in co-operatives today. Members treat co-operatives more as government organizations than as their own organizations. The restoration of members' confidence will require serious thought by the government and co-operative leaders. As a first step, governments will have to loosen their control over management.

### **Challenge**

There are more than a quarter of a million societies in the country, with 140 million members. In terms of the number of co-operatives and individual membership the movement is the largest non-official organization in the country. However, it has not gained the position it deserves in the eyes of the government and people at large. The factors responsible for this can be summarized as follows:

- i) Its position is not uniform throughout the country. In some parts of the country, it is fairly strong, while in other parts, co-operatives are either lying defunct or, as the former Finance Minister, Mr. N.D. Tiwari, recently said: "The pipeline is choked". The challenge is to make the movement throughout the country strong and effective and to unblock the pipeline.
- ii) Many co-operatives have lost their democratic character and co-op-

erative autonomy. These must be restored.

- iii) The image of the Co-operative Movement needs to be rebuilt so that people can develop faith in it and consider it as their movement.

Some possible solutions to these challenges are outlined below:

- i) Village co-operatives should not only be agencies to distribute goods and services, but should look after all their members' needs. Only then will the rural people have faith in them.
- ii) Members' loyalty today does not depend on ideology and commitment alone, but on services available. This is how the Co-operative Movement has been strengthened in countries like Japan, South Korea and China. In Japan, the number of co-operatives has been reduced from 46,254 in 1961 to 8,519 in 1987. In South-Korea, the number of agricultural co-operatives has decreased from 21,500 in 1961 to 1,463 in 1986. This decrease has taken place through the amalgamation of co-operatives so that their management can benefit from economies of scale. The number of co-operatives in China has also been reduced from 350,000 to 33,000 during the last three years. Thus, the number of co-operatives should be reduced to about one quarter or even less by the liquidation of defunct societies and the amalgamation of others to produce strong,

viable co-operatives with professional management. This has to be done by persuasion and not by force of law.

iii) The government must be committed to establishing a strong, self-reliant people's Co-operative Movement. This commitment could be shown by implementing the 1958 Co-operative Policy Resolution.

iv) Committees at national and state levels should be formed by the co-operatives themselves, to review the situation of the Co-operative Movement from time to time and make their own plan of action with regard to the overall development of the Co-operative Movement. They could consist of chairmen and chief executives of national/state level federations, and a few committed co-operators who have been actively involved with the Co-operative Movement.

v) As in Company Law, it should be mandatory that annual general meetings are held and the chief executive should be held personally responsible in case of default.

vi) Members who have not utilized the services of the co-operative for two years should lose their voting rights and eventually their membership.

vii) There should be a phased withdrawal of government officials from the Co-operative Movement, which should build its own network of professional and co-operative oriented officials and leaders.

viii) If the chairman of a co-operative is to carry executive responsibilities, he should be remunerated accordingly and should be held liable for his actions.

ix) Ministers/Secretaries in charge of Co-operation should understand the Co-operative Movement and its background. This should be included in the training programmes of all government officials.

x) The media should be kept informed of co-operative events and be encouraged to project a positive image of the achievements of co-operatives.

## Message

from Shyam Lal Yadav  
Minister of State  
for Agriculture, New Delhi.



I am happy to learn that the National Co-operative Union of India is hosting the meeting of Central Committee of International Co-operative Alliance (ICA) in October, 1989 in New Delhi and the ICA has decided to bring out a special issue of its journal "Review of International Co-operation" focussing on the Indian Co-operative Movement.

In the strategy for rural development, co-operatives have an extremely important role. Looking back, the NCUI has reason to be proud of its contribution to the development of co-operative activities. Its development approach and the continuous alignment of policies to meet the emerging needs of co-operatives is well recognized and has yielded good results. Our rural economy offers immense potential for the development of pre- and post-harvest activities through co-operatives and I am fully confident, in the years to come, that the NCUI will meet these challenges and evolve programmes of benefit to the members of co-operatives.

The meeting of Central Committee of ICA will provide a useful opportunity for the delegates from all over the country to come together, exchange experiences and suggest measures to further strengthen the Union.

I send my best wishes for the success of the meeting.

# The Role of NCUI in the Development of the Co-operative Movement in India

by Dilip Singh Bhuria, M.P.\*

The National Co-operative Union of India, the apex organization of the Indian Co-operative Movement, has completed 60 years of service. It represents 150 million individual members from 315,000 co-operative societies. Its main objective is "to promote and develop the co-operative movement in India; to educate, guide and assist its members in their efforts to build up and expand the co-operative sector and to serve as an exponent of co-operative opinion in accordance with the basic principles of co-operation".

The Union's activities may broadly be categorized as follows: (i) promotion; (ii) co-operative education and training; (iii) research, studies and consultancy; (iv) publication, publicity and public and international relations; (v) meetings.

## Promotion

The Union is an umbrella organization for the entire co-operative movement and is responsible for ensuring the promotion of co-operation in accordance with co-operative principles. In this context, one of the notable



achievements of the Union has been to strengthen the co-operatives' organizational structure. It has been instrumental in promoting the national co-operative organizations in each sector of the movement.

The activities of co-operatives in various states are governed by state laws and there has been a general trend to pass co-operative laws increasing the authority of the Government Registrar. Whenever the democratic character of co-operatives has been threatened, the Union intervened with the policy makers, arguing that co-operative laws should be amended democratically.

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NCUI has set up Parliamentary and State Legislative Forums at which matters adversely affecting the autonomy of co-operatives are raised. In 1945, the Co-operative Planning Committee appointed by the Government of India observed "if the co-operative movement is to develop on a sound basis and expand in diverse directions, it is essential that its members be made conversant with the principles and practices of co-operation. It is only then they will be able to conduct their business on well ordered lines". After independence the same approach was adopted to Co-operative Development.

The main responsibility for the co-operative education programme was entrusted to the National Co-operative Union of India. A pilot programme, initiated in four States in 1956, was extended to the whole country by 1960. The programme is being implemented by the State Co-operative Unions. Its main target groups are the staff, Board members, ordinary members, potential members of primary co-operatives, with special programmes for women and youth.

To meet the needs of the growing diversification of the movement, NCUI has restructured the co-operative education programme to incorporate development projects. Besides, the Union has also been implementing specific co-operative education projects for the benefit of under-developed regions of the country and for specific sectors, e.g., consumers, fishermen, industrial co-ops, handloom and handicrafts.

The Union has established a National Centre for Co-operative Education (NCCE) in New Delhi which aims to equip educational personnel with up-to-date technology and communication techniques. It conducts leadership development programmes for elected members of Co-operative Boards at district and state levels.

### **Co-operative training**

The following institutions have been set up under the education programme: one National Institute of Co-operative Management for senior personnel and policy makers, 18 Co-operative Training Colleges for middle managers and 92 Co-operative Training Centres for junior personnel. The training set up for senior and middle level co-operative executives functions directly under the academic and administrative control of the National Council for Co-operative Training, while the co-operative Training Centres are governed by their respective State Co-operative Unions.

The training programmes conducted by the Vaikunth Mehta, National Institute of Co-operative Management and Co-operative Training Colleges, are recognized at international level. As a result, a number of international courses sponsored by the International Co-operative Alliance, the International Labour Organisation (ILO) and the Food and Agriculture Organization (FAO) etc. are being organized and conducted at these institutions. In addition, a number of developing countries are availing themselves of the training facilities provided by NCUI.

### **International co-op relations**

The NCUI, as spokesman of the Indian Co-operative Movement, is effectively involved in strengthening international co-operative relations. The Union is a member of the International Co-operative Alliance, where it is represented on the Central Committee and a number of specialized organizations. The Union played an important role in bringing about a co-ordinated approach among international training centres through its representation on INCUTECH, the ICA's Committee of Co-operative Education and Training. With FAO, the National Institute of Co-operative Management is running CICTAB for co-operatives engaged in agricultural banking.

In addition, the Union sponsors a number of Indian students studying at Co-operative institutes in other countries. It has also established contacts with other UN agencies, such as UNESCO, and has recently started providing International Co-operative Trade services to its members.

### **Co-operative research**

The NCUI continually studies and analyzes the problems of the movement in order to keep member organizations and the Government informed of the current situation. In addition, the National Institute and Co-operative Training Colleges are also engaged in Research Work. Most of the studies conducted by the Union have been widely acclaimed by the Government and other official agencies.

The Union has been implementing a scheme of Research Fellowship for pre-doctoral and post-doctoral research and has also compiled a Register of Research in Co-operation.

### **Image building**

One of the crucial tasks of the Union is to project a proper image of the co-operative movement, through its own periodicals and promotional materials and through the mass media. Its regular publications include "The Co-operator", "The Indian Co-operative Review" and "The Co-operative Law Journal".

An important achievement has been the setting up of a national forum in the triennial National Co-operative Congress, which represents the highest forum where non-official opinions on the co-operative movement can be expressed, performance and progress of various co-operative sectors reviewed, and recommendations for the development of the Movement made to co-operative and Government authorities. So far 11 Indian Co-operative Congresses have been organized by the Union.

The popularity and value of these Congresses have increased over the years. Their recommendations are given serious thought and consideration by the Movement, the Reserve Bank of India and the Government and influence the policies and programmes formulated by these bodies.



*Pandit Nehru leaving the ICA Leadership Seminar (New Delhi, November 1960) with Dr. M. Bonow, former ICA President and Dr. Saxena, former ICA Director*



# Nehru's Contribution to Co-ops

by R. C. Dwivedi\*

Jawaharlal Nehru, the first Prime Minister of India, is remembered as an outstanding statesman, political thinker and idealist. His was a versatile personality with motivating and original views. His thoughts on co-operatives, and their practical follow-up actions and implementation made him the most outstanding of the co-operative philosophers, idealists, visionaries and enthusiasts of his time. His contribution to the Indian co-operative movement can be equated with that of the pioneers of Co-operation such as the Rochdale Pioneers, F.W. Raffeisen and earlier Associative Socialist thinkers. In India, he is regarded as "Prophet", "Apostle" and "Doyen" of Co-operation, since he set the goals and objectives of co-operative development, crystallized the true character and characteristics of co-operatives and integrated co-operation into the economic planning of the country. He regarded Co-operation as the most vital instrument of socio-economic change within society.

To Nehru, the co-operative was not a mere organizational method to achieve certain economic benefits; it had a much wider concept. Inaugurating the seminar on Co-operative Leadership in



South East Asia, held in 1960 in New Delhi, to mark the opening of the ICA Regional Office for South East Asia, he said; "My outlook at present is not the outlook of spreading the Co-operative Movement gradually, progressively, as has been done. My outlook is to convulse India with the Co-operative Movement; or rather with Co-operation; to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere and finally, indeed, to make the co-operative approach common throughout India. Therefore, the whole future of India really depends on the success of this approach of ours, to these vast numbers; hundreds and millions of people." This statement is most significant and popular, having come from the Prime Minister himself. It implies a great

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ideological revolution in the thinking and behaviour of individuals, not only regarding economic questions but relating to life as a whole.

There were reasons for Nehru to visualize the adoption of co-operatives for socio-economic development. The Indian National Congress, which had spearheaded the freedom movement of India, and of which Nehru was a leader, had resolved that on achieving independence, a new socio-economic structure would be built, based on the principles of non-exploitation, people's initiative and involvement, decentralization of economic power, etc.; and this change would be effected voluntarily. Co-operation was obviously the logical and inevitable choice for Nehru. He said: "In the nineteenth century or so, capitalism brought about remarkable advances in economic production in the country. We should not ignore these advances. But the fact is that at the base of the capitalist structure of society is fierce competition, the acquisitive instinct. The more the nation and the State grow, the greater are the national rivalries that arise. In the modern state of the world, I think, the system is out of date because we have arrived at a stage where there is not much to share through the capitalist method and we are in danger of cutting each other's throats or going to war. In the days when large parts of the world were still to be exploited, there was a possibility of extending the capitalist method. But today, whether it is an individual, or a family, or a State, or the world itself, co-operative approaches to life's problems become more and more neces-

sary if we are to survive, because today we have to live in very crowded communities in a world which has become smaller. The other reason was his personal conviction in the co-operative way of life, which he had inherited from the ancient economic and cultural history of the country.

### **Nehruvian co-op principles**

Nehru had clearly identified the essential nature and values of co-operatives, which can be termed as the Nehruvian Co-operative Principles. They may be identified as voluntariness, autonomy, social cohesion and mutuality, self reliance and flexibility. A brief description of these concepts is given below :

#### **Voluntariness**

Nehru was against any kind of compulsion or coercion in Co-operation, which, in his view, must come from within an individual and should not be forced upon him from outside. If the decision to join a co-operative were voluntary, the individual would also be willing to participate in the activities of the co-operative and his interest would be more sustained. If he were forced to join, he would have little interest at the outset. Nehru emphasized the voluntary character of co-operatives on various occasions, saying that "the essence of co-operation is its voluntary character. There can be no imposed co-operation".

#### **Autonomy**

Nehru also emphasized the importance of the co-operatives' autonomy in managing their affairs. He felt that

it was necessary to develop the people's sense of self confidence after centuries of subjugation. If the co-operatives had no decision-making power and were managed by outside agencies, their members would lose motivation. He said "All our thinking now is based on the "panchayat" (community) and the village co-operative and giving them power and authority to take decisions, and also to make mistakes, as they might. We take the risk. It is better to do that than to hedge their authority and make them feel helpless."

### **Social cohesion and mutuality**

These were the most important elements which Nehru emphasized with regard to the size of co-operatives at primary or base level. Organizing village co-operatives on the principle of social cohesion and mutuality was his basic approach. He believed that social cohesion would ensure a better chance of success: "We talk about the Co-operative Movement. We talk about village co-operatives or larger co-operatives. But I would like this matter to be considered from the even broader point of view of reorganizing our vast rural areas and of building a new social structure. The essential characteristics of a co-operative are close contact, social cohesion and mutual obligation. These are vital for building up gradually a new structure for our rural society. This is an enormous undertaking ... Co-operation is a kind of mutuality, a way of mutuality ... The co-operative should encourage the cohesion and the coming together of village people. The village should be like a big family ..."

In this context, it may be pointed out that, as a result of recommendations by the Rural Credit Survey of India, large sized co-operative societies were organized at the village level. However, the moment he realized this would not promote social cohesion and mutuality, he immediately confessed that it was his mistake to have accepted the above recommendation of the committee and insisted upon the organization of one or two villages into small co-operatives. To him, promotion of social cohesion was the basic test of co-operatives, particularly at the village level.

### **Self reliance**

Nehru had visualized that for autonomy, self reliance was essential. He made it abundantly clear that Government funding means Government intervention and emphasized that co-operation was self-help. Outside help should be, if at all necessary, temporary and not a permanent arrangement. Otherwise, people would not make the effort to build the internal strength of their co-operative and the organizations would be unable to survive.

### **Flexibility**

Another matter of principle was that the concept of Co-operation should not be applied rigidly solely for the sake of uniform adoption all over the country. Local conditions must be taken into account. In making this point, Nehru was sensitive to variations in culture, economic strata, local economic development, geographic conditions, occupational structure etc.

### **Government/co-op relationship**

The Government/Co-operative relationship is as old an issue as the Co-operative Movement itself. Nehru was much against the government's association with co-operatives. He firmly believed that, while the government must assist co-operatives financially and technically at the initial stages, it should not intervene in their management: "I do want to emphasize that nothing can be more fatal than governmental control, which is the embrace of death. Co-operation is not governmental control. If there is any governmental control, good or bad, it is not co-operation at all, whatever else it may be. Let us be quite clear about it ... I will repeat, and will go on repeating, that I dislike the association of government in co-operation except as an agency helping with funds and so on."

### **Education and training**

Nehru fully understood the conditions of people in the rural areas which were to be served by co-operatives. He was convinced that unless they understood the concept, philosophy and ideals of co-operation it would be difficult for them to manage their co-operatives properly. He saw co-operative education and training as a pre-condition for the success of co-operatives: "One important point about co-operatives is that if the co-operative movement is to succeed in India, and it must, then it must be preceded by careful training and education. It is no good saying "form a co-operative and allow village people to function". That is not good enough. And I con-

cess that we have not given enough attention to training. We have to train people carefully. It is a task we all have to face, and the success of the co-operative movement will depend on the training we give our people".

Nehru also thought it was necessary and important for the younger generation to be acquainted with the co-operative concept at the earliest possible stage of life. He, therefore, stated that "Co-operation should be introduced as a subject in our high schools, in a simple form, so that it forms a part of the basic training."

### **Non-politicization of co-ops**

Nehru saw the dangers of political influence over co-operative institutions. He did not want co-operatives to become victims of party politics. He said, "What are the organizations that function in the village? There is the Panchayat. There is, or should be, the village co-operative. There is the community development block. We do not want any parties to function in any of these organization as parties."

### **Genuine co-operatives only**

Nehru could also foresee the possibility of some people attempting to use co-operatives for personal gain or organizing bogus co-operatives. He warned against this, saying "There has been a tendency, and no doubt this tendency will be repeated, for bogus co-operatives to be formed, or for bogus individuals to exploit the co-operative name. This will have to be guarded against ... The development of co-operatives in India has become one of our highest priorities ... It is not merely

numbers that count, but the quality of the co-operatives that are established. This is to say, they should be real co-operatives and not co-operatives in name only."

#### **De-officialization of co-ops**

Another important aspect which Nehru emphasized was the de-officialization of co-operatives. During British rule it was established practice for government officers to hold ex-officio positions in co-operatives. This was one way of enforcing governmental control. Nehru believed that co-operatives were people's institutions and, therefore, their management should be left to the members and their elected representatives. He took measures to ensure that elected officials ran co-operatives.

#### **Towards a co-operative commonwealth**

Nehru occasionally declared that there should be an established Co-operative Commonwealth in the country and people should work hard for it. It is due to Nehru's interest that different types of co-operatives exist throughout India. The Indian Co-operative Movement is highly diversified, covering all fields of economic life and social services. There are more than 300,000 co-operatives with more than 200 million members. It is interesting to note that there are co-operatives with both very large and very small memberships. The movement has built its own horizontal and vertical structure, supported by a well-conceived co-operative education and training network.



*Former ICA President, Dr. M. Bonow, taking leave of Pandit Nehru who opened the ICA Seminar on Co-operative leadership in New Delhi, November 1960.*

### **International co-operation**

Nehru was an internationalist. Ensuring international peace was one of his ideals, and he saw the extension of the concept of Co-operation as the means by which this was to be done. He believed that the basic elements of co-operation were equality, fraternity, mutuality, solidarity and tolerance. Adoption of co-operation was, therefore, most needed at the international level. He said "... and if we can extend that (co-operation) outside the economic field, shall I say, in regard to international intercourse, it is a way of mutuality. Co-operation is a way of peaceful co-existence. If people look at things in the co-operative way, they are inevitably drawn to ways of peace and not ways of conflict and war."

At the United Nation General Assembly he said that nations must "Co-operate or Perish". Following this, the UN declared 1965 to be UN International Co-operation Year.

### **Nehru and the ICA**

Nehru had been associated with the ICA Regional Office for South East Asia since the proposal to establish the ICA New Delhi office. He formally opened the Regional Office, actively supported its activities and had constant contact with it. His government's Ministry of Community Development and Co-operation established a close working relationship with the ICA Regional Office. Nehru inaugurated the International Co-operative Day celebrations organized by the ICA Regional Office and urged the nation to work harder to achieve the objectives for which the Co-operative Movement stands. He was also instrumental in persuading his daughter, Mrs. Indira Gandhi, to be President of the ICA Regional Council. Thus, Nehru has contributed not only to the development of co-operatives within India, but also to the World Co-operative Movement. There is room for further research into this contribution.

# Operation Flood and the National Milk Grid

by Dr. A.A. Chothani \*

The Indian sub-continent has one of the longest histories of cultural organization. For several thousand years, its agriculture and food consumption has depended not only on applying human labour to the land, but also on the domestication of the cow and the buffalo, which in varying degrees provide milk and dung (used as fuel and manure). The bulk of these outputs have always been converted from the by-products and waste products of mixed farming fed to the animals; and this is still the case today. Both production and consumption of milk, however, are far from evenly distributed.

Despite the by-product nature of the country's meagre per capita milk production (70-80% of cultivated land being devoted to cereals and pulses), milk is, nonetheless, the country's most highly valued food. It can be estimated that some 40 per cent of the country's fats and oils consumed, as well as more than 80 per cent of animal protein supplied, come from milk. No



doubt, where inadequate intake of milk contributes to dietary deficiencies, unequal distribution of incomes makes the problem worse. However, other inequalities are also significant: namely the unequal geographic dispersion of milk production in proportion to human population, and also the seasonally and regionally unequal distribution of milk production. The 'lean season' milk production falls to a low of some 30 per cent of 'flush season' levels. Prof Madhav Rao of the Institute of Rural Management observed:

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"In a country the size of India, particularly in terms of population, a strong agricultural base is an essential pre-

requisite to any kind of development. It is also quite obvious it can never be dependent upon imports of food and food products. Agriculture and related activities thus constitute, the core upon which the general health of the Indian economy rests, not only because of the weight of agricultural production in the national output, but also because the majority of Indians inhabit the rural areas and depend upon agricultural activities for their livelihood. Given the very sizable numbers involved and their increase, one may virtually rule out drastic changes in the rural-urban population balance and in the overall occupational structure in the immediate future. In a very basic sense, therefore, the overall growth of an economy such as that of India will continue to be related to agricultural productivity and the purchasing power of those dependent upon agricultural and rural based activities." Any programme designed to improve the situation to benefit both producers and consumers must therefore consider these inequalities and complexities.

A step, in this direction was taken in 1946 in Anand, a small sub-county in Gujarat, when rural milk producers were organized to assure a market for their milk and to increase production without disturbing the socio-economic structure. The structure, a single commodity producers' co-operative, proved its efficacy and strength over two decades. In 1964, the Prime Minister of India saw its operation and was convinced that its replication and adoption throughout the country would act as a major instrument in combat-

ting many socio-agro ills. In 1965, the National Dairy Development Board (NDDB) was formed to undertake this task. This was followed, in 1970 by Operation Flood, the first ever exercise to use Food Aid for self-development. Describing this Anand model in the context of modern agro-management, Prof. Madhav Rao observed: "In its essentials, the Anand Pattern consists of a three-tiered organizational structure whose production base comprises primary village-level societies of milk producers, with key functional units consisting of district-level cluster unions of such village societies, and at whose apex is a state-level federation of these cluster unions. This structure is confined to overseeing activities pertaining to only a single primary agricultural product - in the present instance, fluid milk. As such, the structure represents a compact and vertically integrated chain that seeks to encompass all operations intermediate between the primary producer and final consumer, embracing the operations of production, procurement, processing and marketing. The bottom layer of the structure, viz village-level societies, is concerned with production by small scale units; the intermediate layer, viz district-level unions, with procurement and processing and the apex layer, viz state-level federations, with marketing, balancing and product development. Ultimately, it is visualized that all state-level federations would be linked together through a national body that would intermediate between the federations and oversee, in its totality, the development of the dairy economy



and the movement of milk and milk products on a countrywide basis. In the final analysis, the ownership of this entire structure is in the hands of the primary producers of milk themselves. While policy direction is in the hands of democratically elected representatives in each tier, technical management at the level of the unions and above is provided by paid professional managers who are employees of the co-operative and accordingly accountable to the respective elected boards.

Looked at from a slightly different angle, what has been described above is a fully integrated system and a uniquely innovative approach to the problems of agricultural development in an economy of the type already described, since it is based upon a total system's treatment of a single primary product. The totality of the treatment is evident vertically in as much as it encloses the entire gamut of operations intermediate between primary producer and final consumer, and horizontally to the extent that it seeks to bring under one organizational umbrella the provision of needed inputs, extension and services. An additional and key feature of the structure is that even though base production is on a very small scale, the economies of scale for various operations are made directly accessible to individual producers, while vertical integration on the basis of co-operative ownership ensures that the value added to primary milk is passed on to the primary producers, remaining within the agricultural sector, so to say, instead of leaking out. The implication

of this for the redistribution of incomes between the urban and rural segments of the economy is only all too evident."

Operation Flood-I, started in 1970, sought to create 18 "Anands", with an investment of Rs 1160 million from commodities gifted by the World Food Programme. Its initiation led to a resurgence of the dairy industry during the seventies, and a much larger dairy development programme was initiated in October 1979 as Operation Flood-II.



*Bulk vending unit for dispensing pasteurized chilled milk into owners' containers.*

This was funded by a soft loan of US\$ 150 million from the World Bank, money generated from dairy commodities gifted by the European Economic Community and from the internal resources of the Indian Dairy Corporation. The results of Operation Flood-II justified the Government's confidence in the farmers' own organizations as instruments of dairy development and led to the initiation of Operation Flood-III. This is now being implemented and covers most of the country's milksheds. Operation Flood III is being funded by a World Bank loan of US\$ 360 million, money generated from dairy commodities gifted by the European Economic Community and from the internal resources of the NDDB.



*Milk collection at a primary village co-op milk producer's society.*

The Indian dairy scene today is radically different from what it used to be in the 1950s and 60s. In 1970-71, when Operation Flood had just begun, milk production accounted for only 14 per cent of agricultural production. Today it is more than 17 per cent. Over the past 18 years, the annual turnover of milk and milk products has almost quadrupled and is now second only to rice. Milk production represents 5.6 per cent of the gross national product. The co-operative dairies which handled only 0.52 million kg of milk a day in 1970-71, and that, too, from village societies concentrated primarily in Gujarat, now handle 7.9 million kg of milk a day. In the peak months of 1987-88, milk procurement reached more than 10 million kg a day. This fifteen-fold rise in milk procurement is certainly not a small achievement, and in the same period, milk production almost doubled.

Although milk and milk products are the second largest contributors to the Gross Agricultural Produce, valued at Rs 100 billion, the pattern of production is characterized by regional and seasonal imbalances. Almost 90 per cent of the production comes from 12 of the 25 states. Besides having a major effect on the small milk producers' economy, Operation Flood has contributed significantly to the development of an institutional structure for these fragmented people by establishing strong links between producers and consumers.

As indicated earlier, the Indian Dairy Scene is characterized by regional and seasonal imbalances. A comparison of milk production in various regions

and procurement by the co-operative dairies of major states (as given below) clarifies the situation:

Region	% of National milk product	States
West	50	Gujarat (52), Maharashtra(40) Madhya Pradesh (8), Goa (0.4)
South	35	Andhra Pradesh (27), Karnataka (34), Tamil Nadu (30), Kerala (8), Pondicherry (0.7)
North	12	Punjab (25), Haryana (8), Rajasthan (20), Uttar Pradesh(36), Himach Pradesh (1.5), Jammu & Kashmir (0.25)
East	3	West Bengal (19), Bihar (53), Orissa (22), Sikkim(2), Tripura (2), As- sam (1), Nagaland (0.4)

Figures in parenthesis indicate procurement of milk by dairy co-operative as % of the region's production.

The spatial, logistic, regional and seasonal imbalances in production makes it imperative on the programme to transport milk or milk solids from areas of surplus to areas of deficit. Appropriate processing and marketing facilities are required to be created in consumption centres, whereas conservation, storage and enhanced production activities are organized at the production centres. The success of the Anand-Bombay link, to the benefit of both producers and consumers, is

reflected almost 20 years later in what is now known as the National Milk Grid. While the Anand-Bombay link was only over a distance of some 300 km (an overnight journey by rail), the transportation of milk over large geographical areas in a country like India necessitated an improved infrastructure for road and rail transportation of liquid milk, and transport and storage of milk products. The National Milk Grid (NMG), was created with the primary objective of facilitating the

supply of liquid milk from high potential milk-producing areas to the growing demand centres; specifically the four metro-cities which have 4 per cent of our population, but account for 8 per cent of total consumption of milk and milk products. There may be some comparative cost advantages in transporting conserved commodities rather than fluid milk to a distant deficit area; but, considering consumer taste and the acceptability of reconstituted milk, a greater proportion of fresh milk will always be required.

The potential milk producing areas identified were thus tapped to build up an infrastructure similar to the Anand Co-operative, where processing and conservation facilities were created. Simultaneously, dairies with strong and professional marketing structures were created in the major demand centres. A link between the rural dairies, popularly known as feeder-balancing dairies (as they feed the city dairies and balance out the lean-flush production imbalance), and the metro-dairies, popularly known as Mother dairies, has been established. The result of this approach is that the average milk procurement of the rural dairies has increased more than five times, from 1.55 million litres per day in 1977 to almost 7.7 million litres in 1988. The overall throughput of the metro-dairies has also increased steadily. In 1983-84, the daily throughput of the metro-dairies averaged 3.1 million litres, as compared with 1.7 million litres in 1977-78. The total metropolitan dairy processing capacity is 3.5 million litres per day.

While the rural co-operative dairies strive to procure more and more milk from their members, conserve it and manufacture various milk products for market, besides meeting the need of the metro-dairies, the metro-dairies strive to provide liquid milk to the consumers through cheap, efficient and modern methods. The introduction of bulk vending milk dispensers and sales from cycle-rickshaw mounted tanks are some of the notable features.

Despite the increased quantities of milk available for processing and marketing, demand continues to exceed supply. This gap is met by the recombination of skimmed milk powder (SMP) and butter oil/white butter. The feeder-balancing dairies perform the balancing function of 'shortfall surplus' resulting from seasonal variations in production. They process flush season surplus milk for reconstitution into fluid milk in the lean season. With 6.4 million litres per day feeder-balancing capacity available, year-round milk supply in the different regions has been greatly improved. Of 2,028 million litres of milk procured by the feeder/balancing dairies in 1983, most was marketed as liquid milk: 29 per cent was sold in the area, 49 per cent was marketed in other project areas, primarily the four metro-cities; and the remaining 22 per cent was converted into milk products.

The transportation network and the fleet size required for this purpose, connecting major cities and towns with feeder/balancing dairies in some 68 milksheds, is constantly monitored by the NMG. Over the years, the number

of rail and road tankers, the major vehicles for bulk movements of milk, has increased considerably. The movement of milk both within and between regions has increased substantially in recent years. Within the grid, milk is transported as far as 2,000 kilometers from Anand to Calcutta.

A strategic balance in demand and supply, especially of liquid milk, can only be realistically attained by providing for contingencies in the form of buffer stocks. Until recently, the country's buffer stock of SMP and butter oil consisted entirely of imported, donated commodities. Under Operation Flood gifted commodities were used for the purpose of creating an infrastructure for the country's dairy development and for establishing a buffer stock. This two-pronged approach towards institution building has borne results in terms of increased production. The development stimulus provided by Operation Flood has led to enough marketable surplus of conserved milk products in the form of SMP and white butter to significantly supplement gifted commodities in the national buffer stock. For long distance transport of liquid milk, 421 road tankers have been provided to state federations under the National Milk Grid. Additionally, 103 broad and metre-gauge rail tankers (capacity 3,588,000 litres) ply between cities. Presently the rail milk tankers are of mild steel. The NDDB has developed light weight stainless steel Rail Milk tankers the capacity of which has increased by 25% to 50,000 litres.

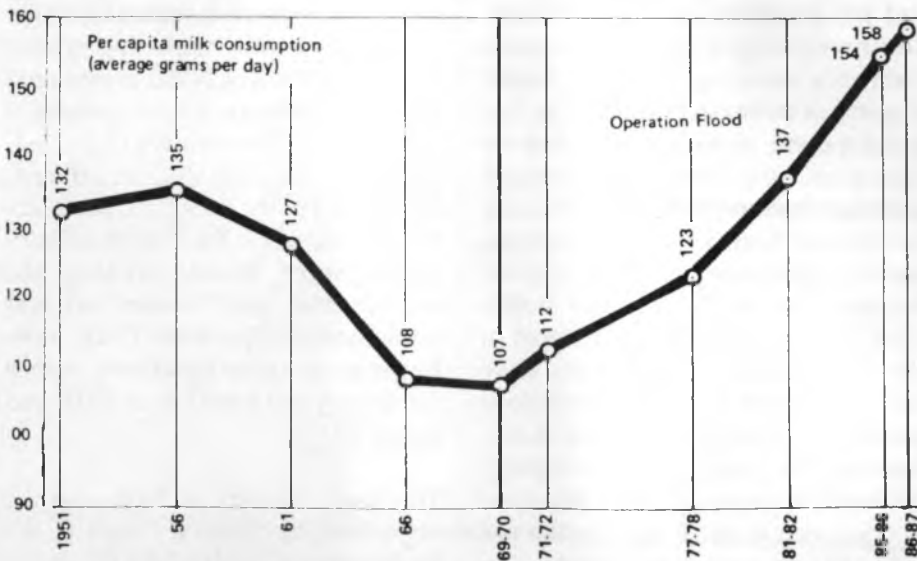
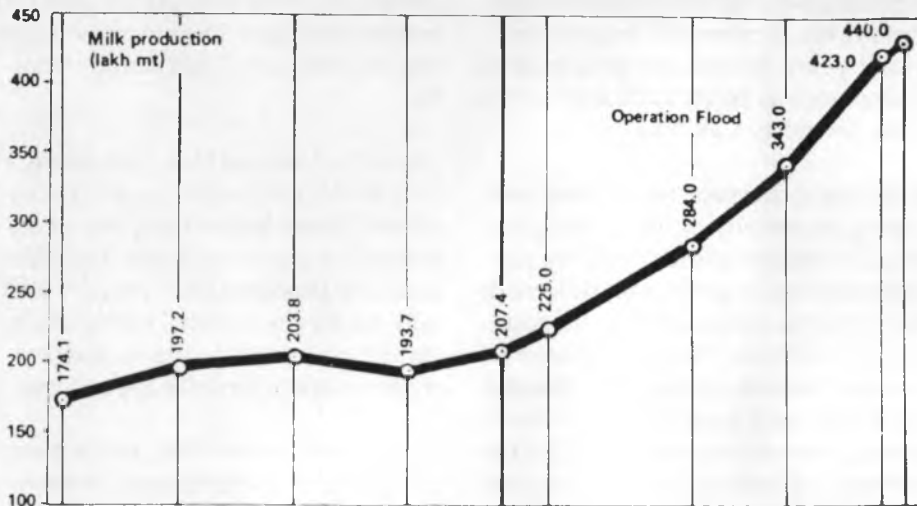
Road-cum-rail containers of 5,000 litres capacity have also been developed by the NDDB. The advantage of such containers is that they can be used on both rail and road. Their increased use will decrease unutilized storage facilities.

Under the National Milk Grid, storage facilities for skim milk powder, butter oil and white butter have been constructed in the metro cities. For indigenously procured milk powder and milk fat for the national buffer stock, district co-operative union and federation storage facilities are utilized.

Incorporated in the NMG are the basic principles of coordination, monitoring and guidance, giving direction to the state federations to ensure a stronger co-operative milk marketing system in the country. The NMG is managed by the administrative functionaries of the National Co-operative Dairy Federation of India Ltd (NCDFI), the national apex of the milk producers' co-operatives, while the National Dairy Development Board (NDDB), the organization which conceived and implemented Operation Flood, continues to act as the canalizing agency for import and handling of SMP and butter oil.

The dairy industry in India and the organizations connected with it, the co-operatives, NDDB, NCDFI, donor agencies etc, have come a long way. However, for such a vast country as India, there is still much to be done.

## Milk Production and Consumption in India



Note: 1. Milk production for 1984-85 onwards are provisional.  
2. Per capita figures are estimated.

Source: Based on (or derived from) milk production data as published by the Ministry of Agriculture, Government of India.

# India's All-Women Dairy Co-operatives

by Dr. Jagjit S. Punjra<sup>\*</sup>

More than 76 per cent of India's population reside in villages, where agriculture is the mainstay of the economy. After rice, milk is the second most important agricultural commodity, exceeding Rs. 100,000 million (approx. SF 10,500 million) per annum. Milk is produced by millions of families throughout the country to supplement income from crop production and agricultural labour.

Dairy farming has proved a powerful instrument to further economic progress and social change in rural areas. It also has tremendous potential for the creation of mass employment opportunities in rural areas for those with limited education and can, therefore, be an important means for the alleviation of poverty.

## The status of women

The constitution of India guarantees equality between the sexes, and the right to vote. Indian tradition demonstrates that in the past women held important positions in every sphere of life, and there are innumerable examples of their foresight, intelligence, valour and excellence in arts, busi-



ness, politics and administration. Unfortunately, until 1947, the year of India's independence, most Indian females were relegated to the least important roles which did not entail contact with the public. Access to education in general, and social interaction in particular, was restricted to a very limited group.

Independence has been followed by changes in education, constitutional rights, legislation, political and economic development and increased awareness, not to mention the pressures of population growth and technological innovation. Indian women are making rapid strides in education and are entering domains which were previously exclusive to men. The women, who have for centuries remained one of the most exploited sec-

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tions of society, are becoming increasingly assertive about their rights and privileges and are now visible in all spheres of life.

Despite the achievements of many individual women, and favourable legislation, it must be admitted that the status of women in India, particularly those in rural areas, is still far from satisfactory. They need support and help to restore their confidence and dignity and to overcome the gender-based indoctrination, prejudices, parochialism, and possibly the pressures created by modernization, population growth and changes in agricultural practice. They still appear to be the most exploited and oppressed, even amongst communities which may themselves be considered as oppressed. It appears that equality and emancipation can emerge only from economic independence, participation in productive activities and social recognition.

### **Women in agriculture**

In spite of India's being the tenth largest industrial nation in the world, agriculture continues to be the predominant source of livelihood. 79.27 per cent of India's total labour force (222 millions) work in the rural areas.

Much of India's agricultural work is done by females. Whereas male agricultural labourers constitute only 19 per cent of the male labour force, female agricultural labour forms 46.18 per cent of the female labour force in rural areas (1981 census). Although the employment of women in other areas

has steadily declined since 1911, particularly between 1961 and 1971, their participation in agriculture continues to remain high. In fact, some investigations show that the modernization of agriculture has displaced men to a greater extent than women.

According to Maria Mies (Indian Women in Subsistence and Agricultural Labour, ILO Geneva), 70-80 per cent of all field work is done by women, who play a predominant role in agriculture, including dairy production. The 1981 Indian census also shows that most of the women work as agricultural labourers. Whereas the percentage of female cultivators (employ-



*Secretary of Women Co-op Society taking milk sample for testing.*



ers) is only 16.28 per cent of the total, the percentage of female agricultural labourers (employees) in the agricultural labour force is a hefty 37.7 per cent within the country, rising to as much as 64.9 per cent in some States, e.g. Manipur.

Investigations have further revealed that the majority of women in the rural areas are landless labourers or subsistence farmers. Most have no control over the main means of production, i.e. land, which is predominantly owned by males.

### History of co-op dairy farming

Dairy farming was an unorganized activity during the pre-independence days. Milk in excess of domestic consumption was conserved in the form of dairy products like ghee, khoa etc. and the marketing of liquid milk was limited to the villages surrounding cities. Isolated attempts to organize milk co-operatives in the States of West

Bengal, Tamil Nadu, Uttar Pradesh and Gujarat did not make much headway because most of the so-called co-operatives were represented by contractors and middlemen. However, the exploitation of milk producers by middlemen finally led to the formation of village-level milk co-operatives in Kaira District in 1946. On the advice of Sardar Vallabhbhai Patel, a prominent freedom-fighter who later became the first Deputy Prime Minister of India, the producers got together and registered the Kaira District Co-operative Milk Producers Union at Anand, now popularly known as AMUL, to manage their milk business on a co-operative basis.

### Anand model

The basic philosophy of the Anand Pattern is to combine the power of the people with professional management in a vertically integrated co-operative



*An employee of the Co-op Society taking out Gerber tubes from the centrifuge*

structure that establishes a direct link between producers and consumers of milk, eliminating middlemen. This structure helps to ensure that a large share of the market price is paid to the producers, which serves as an incentive to improve production. It also allows farmers to benefit from modern technology and provides inputs essential for low-cost production.

Placing the farmers in command involves them in the process of development and ensures democratic functioning of co-operatives at all levels. The structure of Indian agriculture, which is characterized by a large number of landless labourers, and marginal and small farmers with smallholdings, makes the "Anand Pattern" most suited to the Indian environment.

### Operation flood

Convinced by the success of Anand Pattern co-operatives and their effectiveness in bringing about faster rural development, the Government of India implemented Operation Flood. This was conceived as an integrated programme of dairy development by the National Dairy Development Board, formed in 1965 by the Government of India to replicate the Anand Pattern Co-operatives all over the country.

Finances for the programme are generated in a unique way. Donated commodities from the EEC, in the form of Skimmed Milk Powder and Butter Oil are recombined and sold as milk to generate funds for the programme. In addition, the World Bank provides financial assistance.



*Women milk producers pouring milk into the Co-op.*

The programme has created the necessary infrastructure for the procurement, transportation, processing and marketing of milk and the provision of technical inputs for production enhancement. The institutions created under Operation Flood are owned and controlled by milk producers in a co-operative framework which is decentralized and democratic. Professional managers are in charge of the day-to-day management.

The three-tier structure, with federations at the state level, unions at the district level, and societies at the village level, is responsible for providing a year-round market for rurally-produced milk. Operation Flood aims to link rural milksheds with the major urban demand centres, so as to increase returns to the milk producers.

### **The rationale for all-women dairy co-operatives**

As women perform 70-80 per cent of dairy work, it is natural that they should be the major beneficiaries of these activities. Many investigations have, however, revealed that gains which should rightfully accrue to the women for their work, as a consequence of dairy development programmes, do not always reach them. The reasons for this are as follows:

1. Most of the existing dairy development programmes are gender neutral and do not cater specifically for women.
2. As there is no specific focus on women, the leadership in the dairy co-operatives continues to be dominated by men, as traditionally it is the men who own the assets and only the owner of the livestock can join the dairy co-operatives.
3. Due to the above, 80-90 per cent of dairy society members are men. Therefore, the management committees and the boards of district unions and state level federations are also men.
4. Even though most of the work is done by females, carrying milk to the co-operative society, and sometimes milking, is restricted to men. Consequently, income from the sale of milk is received by the men, who are able to spend this income in whatever manner they like.
5. Since there are no women involved in the promotion of dairy programmes, it can be argued that women in the rural areas experience further alienation and do not participate fully in the development work.
6. Lack of participation and the absence of interaction between professionals and the women has proved a constraint on the adoption of modern technology.
7. Low levels of women's literacy, non-participation in gram sabha, panchayats or societies, unwillingness to talk to male spearhead team members, and women's dual role of housewife and worker have also militated against them.

The Andhra Pradesh Dairy Development Co-operative Federation Ltd.

(APDDCFL), the implementing agency of Operation Flood in the State of Andhra Pradesh, initiated a women-focused approach to increase the active participation of women in dairy co-operatives in 1983. The outcome of this was a national seminar in 1985.

The major recommendations of the National Seminar on Women in Dairying, held at Tirupati in December 1985 were:

1. That sustained efforts should be made to increase the proportion of women in dairy co-operatives at all levels, including staff, unions and State Federation.
2. Women members should be trained in animal husbandry, co-operative management, veterinary health, first aid, fodder development, etc.
3. Development cells should be created at union and federation levels to facilitate the training and participation of women.
4. Banks and development agencies should be asked to give loans, sub-

sidies and other credit facilities to women for the purchase of animals, food, etc.

5. Women should be given access to waste lands to promote fodder development.
6. Repayment of loans should be flexible enough to make allowances for periods when the animals are dry.
7. Non-governmental Organizations should be involved to organize and supervise the women and to act at intermediaries between them and dairy development departments, banks, federations, etc.

#### The all-women dairy project

As a consequence of the interest generated by the National Seminar at Tirupati, the Department of Women and Child Development, Ministry of Human Resource Development of India, with active support from the Ford Foundation, agreed to fund the Bihar State Co-operative Milk Producers' Federation Ltd. on an experimental basis under its Support to Training

	Target	Actual (Sept. 88)
Number of Women Dairy Co-operative Societies in operation	200	205
Number of women members	5,000	7,443
Number of female extension assistants	40	65

and Employment Programme (STEP) to develop an all-women dairy programme with the following objectives:

1. To generate grass-root level leadership and enable active participation of poor rural women in the village economy.
2. To provide income-generating activities for poor rural women.
3. To organize women in Anand pattern dairy co-operatives, providing inputs and employment support services to create dairy assets for assetless women.
4. To develop links between women's dairy co-operatives, non-governmental organizations and the Patna Dairy Project/Bihar State Co-operative Milk Producers' Federation Ltd.
5. To train women in dairy management and fodder development.
6. To train girls under 18 (school drop-outs) in paraveterinary subjects.
7. To develop and organize a women's dairy co-operatives' development cell to monitor the project through the State level federation.
8. To bring about economic equality and social justice by focusing attention on, and directing training towards, poor women.
9. To empower women to move into positions of decision-making and power.

10. To enable women to participate in all three tiers of the Anand pattern organizations.

### **Impact and response**

The project started in May 1987. Five districts from the Operation Flood area were identified for its implementation. The unique feature of this project was that the membership of these societies was exclusively female, and all the employees and extension staff dealing with them were women. Targets were fixed to be achieved in three years, and the response was so overwhelming that within 14 months they had been exceeded.

The five districts where the project was started form part of Bihar State, which is a very conservative and backward State, even by Indian standards. Feudal writs, traditions and customs still dictate the pattern of behaviour. However, the project evoked a strong positive response from the women. Women who were afraid of talking to strangers now participate in the working of the societies, discussing financial matters, employees' work and other questions with an intensity not known in male societies. There is healthy competition for election to the Managing Committee. The women take pride in these activities and more villages want to have all-women co-operatives.

The Government and the district level co-operative unions are responding to the societies in liberal measures. One district union has already modified its byelaws to accommodate at least one woman on its Board of Directors and



*The women's dairy co-operatives attract a lot of attention from abroad - here members talk to a visiting freelance journalist.*

other unions are in the process of initiating similar measures. The district administration of Jahanabad, a district adjoining the project area, has decided to organize 100 all-women societies. In the tribal-dominated district of Lohardagha (Bihar) the milk union has also started organizing all-women milk co-operatives. There are now more than 16,000 women members of the 214 all-Women Milk Co-operative Societies in Andhra Pradesh. The membership of women in dairy co-operatives has reached a respectable 18.2 per cent and many women's organizations have already started lobbying for more participation, and the extension of the project to other areas.

### **Conclusion**

A gender-focused approach can generate mass employment opportunities for women in rural areas and expedite the process of women's participation in dairy development. The involvement of women in dairy co-operatives not only improves their economic position, but can also assist them in breaking down the barriers created by feudal traditions and poverty.

All-women dairy co-operatives can play an important role in bringing rural women, particularly those belonging to weaker sections, into the mainstream, and thus help in their emancipation.

# Oilseeds for India

## A Case Study in Food Security

by John Julian\*



*Groundnuts, better known as peanuts in North America, are still the most important source of cooking oil in many parts of India. Harvesting is hot, backbreaking work.*

India is the world's largest importer of edible vegetable oil. Each year nearly 2 million tons are imported into the country at a cost of more than 1 billion dollars. Yet Indian consumers can't get as much cooking oil as they need, and prices are very high.

In India, most people rely on cereal grains, principally rice, for the bulk of

their diets, and vegetable oil, from peanuts, rapeseed, soybeans, sunflowers and other lesser-known crops, is used extensively in cooking. Meat is scarce and expensive, and many people are vegetarian for religious reasons. For much of the population, vegetable oils are an important source of calories.

### **Poor price, uncertain supply**

In spite of the demand, one major obstacle has limited the production of oilseeds in India. For generations a

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few wealthy families have controlled the oilseed trade. They have purchased the raw seed from farmers, refined it into oil, and distributed the processed products for sale throughout the country. Through collaboration, these companies have managed to manipulate the prices paid to farmers for oilseeds, and the prices paid by consumers for vegetable oil.

Once a crop has been harvested and sold, the oilseed companies carefully restrict the amount of oil available for sale. That drives the price up and the oil is sold at that price until just before harvest. By flooding the market with excess oil, the oilseed traders force the price down just in time to buy the new crop from farmers at greatly reduced prices. Taking into account the costs incurred in refining and processing, these unscrupulous practices have helped oilseed middlemen consistently realize profits in excess of 100 per cent. In the words of one co-operative official, "that's not profit, that's looting". Meanwhile farmers, lacking the incentive of a fair price, plant oilseeds only on marginal land and in limited quantities.

#### **A co-operative success story**

It was the dairy industry which provided both the method and the inspiration for confronting the oilseed problem. As early as the 1930s milk and its products were identified as a promising source of income for small farmers and nutrition for Indian diets. To avoid inequity, such as that found in the oilseeds industry, a group of dedicated individuals set out to organize the industry on co-operative lines. Co-operatives are business organizations

which are collectively owned and democratically controlled by the people they are designed to serve - in this case the small dairy farmers of India.

Through their co-operatives, small farmers, many of them women, have been able to purchase milk cows or water buffaloes which are paid for with money deducted from milk sales. They have learned to care for the animals, and by delivering milk twice each day to collection points have ensured that the milk they sell is fresh when it reaches consumers. Consumers benefit from consistent supplies at reasonable prices. Farmers realize an average of \$60 per month from their dairy activities, a significant income boost for many farm families.

In 40 years the system has grown to include 32,000 co-operative societies spread throughout the country. There are now 3.4 million members, most milking just one or two animals. The members own the entire system including rural milk sheds, cheese factories, canning plants and distribution facilities.

At the head of this mammoth undertaking is the National Dairy Development Board, a body partially funded by government but governed by an independent board of directors. It was to this organization that the Indian government turned in 1979 for help in solving the oilseed problem.

#### **"Food aid" for development**

One of the remarkable aspects of the Indian dairy co-operative success story





*Education, paid for by converting food aid to cash, has helped Indian oilseed farmers to significantly increase production.*

was an effort known as "Operation Flood". For many years, surplus food products from North America or Europe have been shipped as aid to areas of the world where there are shortages. The intent of this "food aid" is to ease human suffering, and this has usually been the case. Unfortunately, food aid can also create problems. If too much food is made available, local farmers cannot sell their crops and land goes out of production. Instead of helping a developing country to feed itself, food aid can actually reduce that ability.

The people involved in "Operation Flood" reasoned that food aid might also be used for long-term productive purposes. These innovative Indian co-operators managed to secure surplus milk powder from Europe. They

packaged the product, marketed it at a fair price, and with the proceeds set to work to build an integrated co-operative dairy industry.

In 1979 the National Dairy Development Board set out to apply the same principles to the oilseed industry. They set up an Oilseed and Vegetable Oil Wing (OVOW) at their headquarters in Anand in the western state of Gujarat, and they convinced the governments of the United States, and later Canada, to provide vegetable oil as food aid.

#### **A Canadian connection**

Canada became involved in 1981. For the Canadian International Development Agency, the government's development arm, it was the first time that food aid had been used in this fashion. Although technically a gov-

ernment-to-government project, it was actually set up with co-operatives doing the work at both ends. The Canadian Co-operative Association, the national association of co-operatives in anglophone Canada, took on the duties of executing agent, while in India, co-operatives established with assistance for the NDDDB, set to work to improve the production and processing of Indian oilseeds.

In the years since the project began, tankers loaded with \$75 million worth of unrefined Western Canadian canola oil have embarked from Canada's west coast. In India the oil is refined in co-operative plants, owned by Indian oilseed growers. It is packaged and marketed, and the proceeds are used to educate the farmer members, to assist new co-operatives to develop, and to build new processing plants or renovate existing ones.

In that time, more than 100,000 farmers have joined nearly 550 oilseed growers' co-operatives in the regions where Canada is involved. Two new processing plants and a new packaging plant have been built and an existing plant has been purchased and upgraded. Acreage seeded to oilseeds has increased dramatically and prices paid to producers have more than doubled. Consumers, meanwhile, have endured only modest price increases, more than compensated for by regular availability.

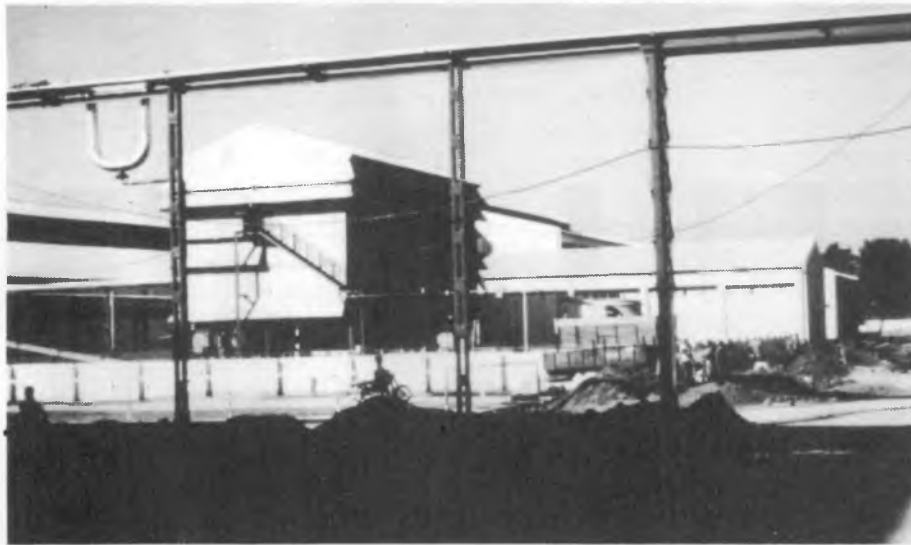
Yields have also increased dramatically. A recent study showed that farmers who belong to oilseed co-operatives are achieving yields 15 to

20 per cent higher than neighbours who have not joined. That can be attributed, in part, to education. Agronomists working for the state federations of co-operative oilseed growers, with occasional help from Canadian specialists, travel the country helping farmers learn the best ways to grow oilseed crops. As well, fertilizer is available at reasonable prices through the co-operative, along with pesticides and the equipment needed to safely apply them. But probably the greatest incentive to grow good crops is the certain knowledge that a fair price awaits at the end of the season.

There have been times when the cost of this progress has been high. The oilseed cartel has fought back. On one occasion the senior administrator of the Oilseed and Vegetable Oil Wing very nearly died when he was badly beaten and thrown from a train. But now even the private middlemen have generally conceded that the co-operatives are here to stay. In areas where co-operatives are active, private traders have been forced to adopt more ethical pricing policies in order to compete.

### **Co-operation for growth**

For the moment, co-operatives exist in only part of the oilseed growing area. A new programme, building on the success of the first one, will see an expansion of oilseed co-operatives in three new areas. Like the first phase, this one will be financed with unrefined canola oil purchased by the Canadian government from Western Canadian farmers.



*This modern oilseed processing plant was built with money from the sale of donated Canadian canola oil.*

This major project illustrates some of the distinct benefits of co-operation in solving problems of food and food security. Co-operatives are built on fairness. It was the unfair nature of the private system that was preventing consumers from getting the vegetable oil they need at prices they can afford, and preventing farmers from being paid a fair price for the crops they grow. By applying principles of fairness and co-operation, this project proves that it is possible for consumers to enjoy security of supply and price for food while farmers receive a reasonable return for growing it.

As well, world-wide connections exist among co-operatives, and co-operative organizations have a long history of working together. Indian co-operators were willing to do the difficult work of building a co-operative oilseed industry from nothing, but they needed

the help of the Canadian movement to bring this about. Canadian co-operators benefited too. Much of the vegetable oil purchased by the Canadian government for the project came from the farms of co-operative members in Western Canada.

Even the most optimistic assessment indicates that India is not likely to become self-sufficient in vegetable oil in the foreseeable future. Recently the co-operative oilseed system in India has been granted permission to import vegetable oil on a commercial basis. They turned immediately to their Canadian counterparts where they know they will be treated with the same standards of fairness that they apply to their industry at home. Canadian farmers, meanwhile, have gained a secure new market for this important food commodity.



*Cotton spinning and weaving has been an established home industry for centuries*

# The History of Cotton Co-ops

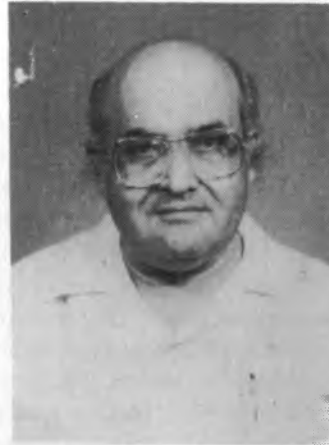
by Prafull H. Bhatt\*

In the context of international trade and the requirement of a well established home textile industry, cotton is India's most important commercial crop. The country's agricultural economy has gone through phases of deficit and surplus. The need for self-sufficiency in cotton was recognized and the hard work of research workers, extension workers, and farmers, together with the introduction of high-yielding hybrids made India not only self sufficient, but also an exporter of cotton.

The agricultural situation continues to cause concern particularly in view of the imbalance regarding pulses and legumes and to some extent, oil seeds. The Government has attempted to encourage agricultural production, notably by creating a commission for agricultural transactions and the introduction of guaranteed prices. Cotton, as an important commercial crop, has been encouraged by a guaranteed minimum price.

The history of cotton co-operatives in India has unique characteristics which may provide guidelines for co-operators in the developing countries.

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## State monopoly

Cotton farmers in Maharashtra were not content with the statutory declaration of minimum support price for cotton. They demanded that the cotton price should never fall to an unprofitable level and they were, therefore, willing to come under the umbrella of a State Monopoly, so as to guarantee a remunerative price for their produce. The State Government recognized the need to protect farmers, but foresaw several problems regarding administration and the heavy losses which might be incurred if the market price of cotton lint were below the levels paid to the farmers for seed cotton (Kapas).

After examining the pros and cons of the cotton economy and cotton marketing the State Government decided

to use the co-operative as a means to assist the farmers. The Monopoly Cotton Procurement Act was passed and the State Marketing Co-operative Federation became sole agent for the procurement of seed cotton. The scheme was linked to the Co-operative Bank, a combination which improved the working of both State marketing and credit. The producer had easy credit facilities for production, whereas the bank had an assured means of recovering its money through the Marketing Federation. The Federation had access to a large amount of credit to handle the procurement, processing and marketing of cotton. In due course, the Maharashtra Marketing Federation became one of the most powerful organized cotton marketing systems in India. As a result, the whole cotton trade had to rethink its activities, and in some cases work out alternative means of business.

This was an extreme step. The policy makers considered the option of building up co-operatives by organizing primary societies at grass root levels, building up the necessary infrastructure at district or regional level, and establishing co-operative gins and presses. However, although this approach might have been successful in areas where there was a well developed co-operative system, the policy makers feared that this would be a lengthy process and that it might be difficult to find effective leaders in several regions which did not have a well developed co-operative movement. It was, therefore, decided that the entire cotton purchasing system would be made a co-operative mo-

nopoly. Co-operators, and more specifically, social and political leaders in the State of Maharashtra felt that the cotton farmers did not receive a fair price, and that the middle-men were the only ones to profit. It was decided to eliminate all the middle men, and process and market all cotton through their own organization. In doing this, the State Government would be able to play an effective role in handling a very large business enterprise.

The Monopoly scheme has had a very disturbed existence, having to deal with several unprecedented problems. When the crop was very large the price of cotton fell below the support price level. As the price paid for raw cotton in Maharashtra was higher than the minimum support price, large quantities were brought in from adjoining States. This resulted in a very big burden on the Maharashtra scheme, since under the scheme kapas was purchased at a higher price, but lint had to be sold at the market price which was lower in both national and international markets. The State Monopoly scheme suffered losses in excess of Rs 3000 million in one year. However, when the crop was not so good, large quantities of seed cotton were sent out of Maharashtra since the seed cotton price was below the market price, despite additional payments made to the Maharashtra farmers.

The experiment started in India in 1972-73 has only continued in one state. The scheme had been suspended intermittently in Maharashtra, but has been re-introduced and the State Government

has proposed an extension of 10 years. Considerable opposition has been voiced against the scheme, in particular from the Ministries of Agriculture and Finance and the Reserve Bank of India. They consider that giving any assured payment to the farmers at a remunerative price level will bring about a basic change in the agricultural and national economies. A cotton monopoly scheme may also, if successful, generate demand for similar schemes for other agricultural commodities. This would require substantial commitment from the State and, of course, the credit organizations.

Despite these problems, the Maharashtra farmers and their co-operative leaders, as well as social and political leaders, have all given their support for monopoly procurement through the growers' co-operative federation. They consider that the scheme would be much more successful if adjoining states operated similar schemes for the marketing of agricultural produce, particularly for a product of such commercial importance as cotton. However, there are several points on which doubts persist. The centralized administration necessary for such a large scheme may prove difficult to control, leading to excessive bureaucracy and, in some cases, malpractice. Conservative co-operators continue to favour a voluntary co-operative movement and maintain that, if effective and honest social workers are attached to the co-operatives, the movement can produce more rewarding results and may even attract more members.

### **The co-op as a movement**

The production of cotton in India dates back to pre-historic periods. Cotton spinning and weaving was an established home industry in all parts of India. Some centres, with a proven record of distinctive, quality fabrics, were known all over the world.

The industrial revolution in Europe and the UK mechanized cotton spinning and weaving and established a home textile industry. Europe and the UK did not produce cotton but imported the raw material from many parts of the world, particularly from the USA. However, the American civil war affected the cotton producing states and it became necessary for the UK to find alternative sources of cotton. India was considered to be highly suitable for development.

The development of cotton production in India for textile units in the UK brought about several effective steps for initiating production of the type of cotton required. It is even reported that this led to the creation of agriculture departments in cotton growing areas. New varieties of cotton, including some selected varieties from the USA, were introduced to the Punjab, Sindh, Gujarat and Maharashtra, i.e. the northern and western belt of India. Soon effective steps were taken to develop rail and road links. To enforce standards and maintain the purity of cotton, the Cotton Control Act was introduced, restricting varieties and controlling processing costs. For the first time, ginning and pressing charges were fixed by the Government.

To build international links and introduce good trade practices, the Government set up the East India Cotton Association, a statutory body, which established rules and regulations for controlling trade within the country and internationally. The East India Cotton Association created very efficient cotton exchange and export facilities at India's ports.

Farmers remained silent spectators until the end of the first world war. In 1917-18 a group of farmers in South Gujarat, led by Shri Kalidas Patel, proposed the establishment of an association of farmers to pool their cotton, get the Kapas ginned and market it themselves. This meant they would earn a better price for their produce, having eliminated the middlemen. The system would also give them greater flexibility as a large trader, able to spread the sale of their cotton over a period of time so as to take advantage of the best market conditions. Although the system was initially considered complex, the farmers recognized its benefits and, in 1919, a Co-operative Cotton Society was organized in South Gujarat.

By 1922 the Co-operative started to make an impact. The traders had control of the gins and refused the use of these to the co-operatives, but by now the farmers were in a position to overcome this problem, and brought their own gins.

The cotton business was flourishing and more co-operatives were formed, taking over a large number of private gins and presses.

It was now evident that the co-operatives must improve their knowledge of trade and marketing practices. They decided to join trade associations so that up-to-date information was available for making decisions. At first the associations refused to admit them, but the co-operatives persisted, explaining that they were primary marketing organizations and, therefore, had the right to participate in any activities associated with the marketing of cotton. Their admittance, and the opening of offices in Surat, and subsequently Bombay, permitted them to market their goods more effectively, creating a niche for themselves as suppliers of high quality cotton.

From 1925-1960, the co-operative marketing societies of South Gujarat spread to other parts of the State. When some of the cotton growing areas had the benefit of year-round irrigation, the crop pattern changed from cotton to sugarcane and bananas. The co-operative experiment continued and sugar factories were organized on a co-operative basis and the co-operative societies took over the marketing of bananas.

The Reserve Bank of India initiated a large number of measures to encourage the co-operative system, particularly regarding major agricultural commodities. Co-operatives have also received considerable support from the State Government, as well as the Government of India. The infrastructure of the co-operatives was strengthened to improve marketing capabilities. Cotton, in particular, has bene-



fited considerably from many of these schemes. To provide vertical integration, spinning units were also established by cotton co-operative societies in some areas. However, they experienced problems since the cotton requirement for different types of yarn often failed to match the production of cotton within the area of operation. Although spinning co-operatives have been successful, many other face crises.

Until 1970, there was an overall shortage of cotton and the country was forced to import cotton to meet local requirements. However, with the introduction of high yielding hybrid varieties of cotton, production increased substantially, making India self sufficient. Under these circumstances, the Co-operative Societies felt the need to create an Apex level marketing federation to sell cotton nationally and, if necessary, internationally.

By 1976 there had been several occasions when the cotton co-operative societies had to face the problem of unsold stock at the end of the season. Much pressure had to be put on the Government of India and the other authorities to organize the processing and marketing of cotton. The operation of the Indian Government Cotton Corporation was massive, but could not come up to the expectations of the cotton growers. The district and regional co-operative of cotton unions decided to set up an apex level marketing organization dealing exclusively in cotton. When Gujarat State Co-operative Cotton Marketing Federation was registered there were doubts as to whether it could provide serv-

ices to the co-operative marketing societies as well as the cotton growers of the State, should production continue to rise.

Soon the challenge had to be faced by the Cotton Federation. In 1985-86 a very large crop created a surplus all over India. In Gujarat, despite drought conditions, there was record production of cotton. On the one hand, the farmers had to face the problem of drought and the water crisis, on the other hand, their only crop, cotton, had no market. The State Government entrusted the Cotton Marketing Federation with procurement of cotton at a remunerative price and, subsequently, at a support price, assuring that the loss would be borne by the State. The scheme was in operation for two years, when the surplus of the cotton brought down the prices below the support price level. Its operation only covered 18% to 20% of production, but indirectly protected the fall in the market price and therefore, helped many cotton farmers to get a fair price.

The State Co-operative Marketing Federation organized marketing at national level and entered the international market for selected varieties. The Co-operative Federation made an impact as it could deliver and fulfil commitments like any respectable trading organization.

There are several problems which are continuously faced by the co-operatives at various levels, such as changes in credit policies. The Co-operative structure has also been changing with the times, becoming more politically active. This affects the working of the

societies, as well as unions and federation. The State also imposed sweeping changes in the Co-operative Act. The co-operators and the Government, who once had a good working relationship, came to regard each other with suspicion and conflict. These problems have remained unresolved.

### **Cotton marketing by the state apex federations**

The co-operative system has been regarded as synonymous with socialism, receiving support from the highest level e.g. the late Pandit Jawaharlal Nehru, Prime Minister of India. The planning commission encouraged the grass root organization through the formation of primary co-operative societies, which had multi-purpose functions and were linked with county and district level societies and, more importantly, with the District Co-operative Banks. Naturally, at the State level, apex co-operative marketing federations were established. In some states, marketing federations had a good distribution for supplies and marketed produce as well as establishing facilities for primary processing as and where required. Marketing federations had State support. Financial resources were extended by the Reserve Bank of India, or recently by the National Agricultural & Rural Bank (Nabard) through the State level apex co-operative bank. In some states marketing federations purchased crops like wheat and rice on behalf of the Food Corporation of India, a Government organization.

The marketing federations began to market several commodities and even

entered into some areas of processing. Some state co-operative federations recognized the need to help cotton farmers as increasing production meant that they might sustain considerable losses if they did not receive any marketing support. The federations decided to establish direct contact with the farmers for procurement of cotton and to organize co-operatives. Once the operations became established, marketing for ginning and pressing of cotton were also taken up.

In the Punjab, the marketing federation handles 15-20% of the crop. Its operations are well organized and with the help of credit facilities and the marketing of cotton to the State and national textile corporations and co-operative spinning mills, it has greatly assisted the cotton farmers. It is hoped that the farmers will eventually support the federation through their own co-operatives.

Haryana operates along similar lines, although on a limited scale. In Andhra Pradesh and Karnataka, state marketing federations have attempted to organize the procurement of Kapas, but have had little impact. Some of the processing units in Andhara Pradesh have been unprofitable.

Malpractice and corruption have been a problem for co-operatives with over employment, poor performance and, more importantly, an attitude devoid of any idealism of service.

The state co-operative marketing federations can organize the co-operative movement and build the necessary

structural strength through the development of co-operatives at various levels. Many federations have a large business turnover, dealing in essential input commodities like fertilizers, pesticides, and tools and procuring most of the commodities farmers produce. Unfortunately, political interference and infighting have resulted in prolonged legal battles, which led to bureaucratization at the top tier of the co-operative system.

At the national level, the National Agriculture Co-operative Marketing Federation (NAFED) has helped some state co-operative marketing federations in the procurement and marketing of cotton. NAFED has multifarious responsibilities as the Government's agent in procurement, marketing and export of agricultural commodities.

The National Co-operative Development Corporation (NCDC), set up by the Government of India, also serves as an important organization for building co-operative institutions at state and national levels. It has a large number of programmes with a team of experts and consultants to assist in the development of specific projects. It also organizes several programmes which help with integration between the states. Several co-operative organizations have benefited from the NCDC programmes, some of which are even financed by international organizations such as the World Bank and the UN Food & Agricultural Organization (FAO). Cotton co-operatives, ginning and pressing

societies and, more importantly, cotton spinning mills have received substantial support under the NCDC programme. Mention must be made of the Cotton Corporation of India, the Government organization which has been given the statutory function of carrying out support price operations for cotton as and when required. It also undertakes other functions such as the organization of purchasing through agents. The CCI and the co-operatives often enter into commercial arrangements, but, by and large, they function along parallel lines.

The changing circumstances of cotton production and the need for a nationwide production strategy was recognized by the leaders of the marketing federations of the cotton growing states. After considerable discussion internally and with national organizations such as the NCDC, and the All India Co-operative Spinning Mills Federation, the All India Co-operative Cotton Federation (AICOTTON) was registered in April 1988 under the Multi State Co-operative Act.

AICOTTON is fighting to maintain the role of cotton as the main raw material of the textile industry. It also lobbies for issues, such as the fixation of minimum support prices for different varieties of cotton, and the improvement of cotton production, ginning and pressing and the establishment of a national policy for long-term export. Its value has been widely recognized.

## Message

from Bhajan Lal  
Minister of Agriculture



I am delighted to learn that the International Co-operative Alliance on the occasion of holding their Central Committee meeting in New Delhi in October, 1989 has decided to bring out a special issue of its journal "Review of International Co-operation" which will focus attention on the Indian co-operative movement. This is an historical occasion because it coincides with the centennial of Pt. Jawahar Lal Nehru's birth. Pt. Jawahar Lal Nehru, who was a great believer in co-operation, expounded the idea of one panchayat, one school and one co-operative for each village in the country, as he thought that these were the three basic pillars for our rural development.

After independence, India adopted democratic socialism based on the values of equality, secularism and social justice as the goal of development planning. In this endeavour, co-operatives have been assigned a very important role in the Indian economic system. The Government has taken steps for building up a strong and self-reliant co-operative structure in the country and extended its support for promoting the growth of co-operative movement. Considerable progress has been made by the co-operatives in various areas, such as agricultural credit, marketing, processing, housing, consumer stores, etc., all over the country. All these co-operatives are playing a significant role in their respective areas.

The ICA is the oldest non-governmental organization engaged in nurturing the co-operative values and is also entirely and exclusively dedicated to the promotion of co-operatives in all parts of the world. It has a very old relationship with the Indian co-operative movement which was further strengthened by the setting up of its regional office in Delhi in 1960. Presently, eight national co-operative societies from India are the direct members of ICA. The Indian Co-operative Movement is also receiving support from the ICA, particularly in human resource development and training. There has been substantial interaction between Indian Co-operative Movement and the Co-operatives in many other countries through the ICA. It is due to a very intimate relationship between the ICA and the Co-operative Movement in India that my invitation to hold its next meeting in India, extended in June, 1988 while I was attending the last ICA Central Committee meeting at Stockholm, was readily accepted by the ICA. We are looking forward to welcoming co-operators from all over the world and hope that this meeting in India will contribute significantly to the advancement of the cause of International Co-operative Commonwealth. On this occasion, I congratulate the National Co-operative Union of India and the Indian Co-operative Movement for making the necessary arrangements for the Central Committee meeting of the ICA and wish the event a grand success.

# Diversification of NCDC's Programmes

By V.B.L. Mathur\*

The Indian co-operative movement is now more than 80 years old and could be said to have come of age. Its growth throughout our vast country has been uneven. In parts of the country it has come up spontaneously through the efforts of dedicated public men who have sought to foster this activity to improve the economic position of people. In other areas, it has been promoted by the various state governments and could be said to be largely government dominated. It is, however, undeniable that the co-operative movement in India, particularly in the field of credit, marketing and processing, has been able to significantly improve the economic conditions of its members who are largely small and marginal farmers.

The National Co-operative Development Corporation of India, set up in 1963 by the Government of India, has largely been instrumental in developing co-operative marketing, processing and allied activities throughout the country. It is a unique institution. It is well recognized not only within the country but also outside that its

establishment has accelerated the development of co-operatives throughout India. It has been my privilege to serve this organization from November, 1977 to May, 1983 as its Managing Director.

The All India Rural Credit Survey Committee (1954) set up by the Reserve Bank of India recommended an integrated approach to co-operative development including credit, marketing, processing and storage in the rural sector. The Committee recommended that the ultimate responsibility for implementing an integrated system of rural credit programme should be with the Reserve Bank of India, while the Government of India be responsible for promoting marketing, processing, storage and other such economic activities. In pursuance of this recommendation, the Government of India established under an Act of Parliament a statutory organization i.e. The National Co-operative Development and Warehousing Board in 1956 for planning and promotion of various programmes relating to co-operative marketing, processing, distribution of inputs and setting up of warehouses. The present NCDC came into being in March, 1963 on the bifur-

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cation of the National Co-operative Development and Warehousing Board into two distinct statutory organizations, the NCDC and the Central Warehousing Corporation.

NCDC is essentially a promotional and developmental organization which has been set up specifically with the objective of stimulating the growth of agricultural marketing and processing through co-operatives all over the country. Its main purpose is to plan and promote programmes through co-operatives for the production, processing, marketing, storage and export and import of agricultural produce, foodstuffs and certain other commodities notified from time to time by the Government of India. In discharging these responsibilities, NCDC:

1. identifies problems of co-operative development for evolving remedial measures;
2. provides a forum for exchange of ideas and acts as a clearing house of information;
3. provides technological and management consultancy support to various projects taken up by co-operatives;
4. provides part financial assistance and undertakes to organize other parts of assistance for implementing co-operative marketing and processing projects; and
5. plans for future co-operative development in the areas of its operation.

A major financial role of NCDC is to enable the co-operatives to muster requisite risk capital and marginal money so that they are enabled to

have access to funds from financing agencies for expanding their business operations and for acquiring fixed assets, plant and machinery, building, etc.

Prior to the establishment of NCDC, the infrastructural coverage of marketing societies was totally inadequate, business operations unimpressive, marketing operations largely confined to supply of sugarcane to sugar factories. There was no organic link between co-operative marketing and co-operative credit. Financial resources of marketing societies were feeble. There was practically no modern processing industry in the co-operative sector and scientific storage facilities for distribution of inputs were practically non-existent. With the establishment of NCDC and the role played by it as "Promoter, innovator, co-ordinator and to the extent necessary financier", the progress over the two decades has been striking both in qualitative and quantitative terms. In this connection, the Expert Committee on NCDC in its report (1971) on the performance of NCDC observed:

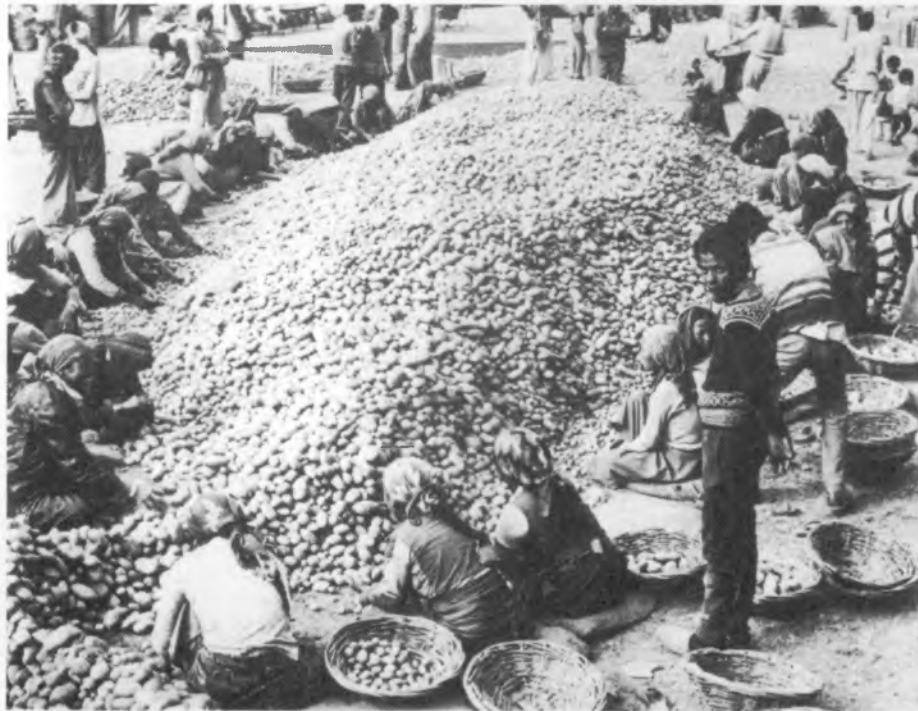
*"The striking progress recorded by various co-operative programmes, the planning and the promotion of which is the responsibility of NCDC, under its charter, does credit to NCDC. The influence of the NCDC on these programmes is more significant over the overall planning and strategy of development..... It has made significant contribution towards developing the potentialities of the programme entrusted to it."*

The remarkable growth in the field of marketing, processing and storage

attained over the years is the result of a combination of a number of factors, chief among them being the nodal, innovative and financial role of the NCDC. With the promotional financial and technical role of the NCDC over the years in the field of marketing, processing and storage activities in the co-operative sector, co-operatives have made a visible impact on the economy over a wide spectrum of their activities and have provided significant financial benefits to the growers. This is evident from the progress depicted in the table overleaf.



*Spraying of cotton plants*



*Buyers throng from all over the country to select quality seed potatoes .*

**Growth in Co-operative Marketing and Processing  
Pre-NCDC and Post-NCDC**

	Pre-NCDC 1962 - 63	Post-NCDC 1987 - 88
1. No. of marketing societies		
i) National Federation	1	1
ii) State level federations	21	29
iii) District level federations	157	157
iv) Primary Marketing Societies	-	2,633
v) Special Commodity Societies	314	3,290
2. Storage capacity (in lakh tonnes)	11	112
3. Cold Storages - Number	-	216
Capacity (in lakh tonnes)	-	5.85
4. Supply of Inputs		
i) Distribution of chemical fertilizers (nutrients in lakh tonnes)	2.48	30
ii) Distribution of other inputs pesticides, insecticides and agricultural implements*	9.43	135+
5. Distribution of Consumer Articles*	28	1,875+
6. Marketing of agricultural produce*	160	4,000
7. Number of processing units installed in the co-operative sector	200	210
8. Of which number of co-operative sugar factories	41	211

+ on 31.3.87

\* value in crore rupees



### **Promotional role**

As an integral part of its promotional activity, the NCDC provides technical and consultancy services to various co-operative institutions in their marketing and processing activities. Based on a study commissioned by the NCDC in 1978, during the period I was its Managing Director, NCDC has very substantially strengthened and reorganized its technical, professional and management staff to suit the growing needs. The technical staff comprises of technical experts in the processing of oilseeds, foodgrains, textiles, fruits and vegetables, dairying and cold storage. The management pool includes management experts, economic analysts, finance and cost consultants and consultants in engineering and architectural services. The services of the technical staff and consultants are made available free of cost to the co-operative institutions and also to state governments to help them in carrying pre-investment studies, market surveys, installation of plant and machinery etc. Gradually over the last decade, NCDC has substantially strengthened its capacity to provide technical consultancy and management services to co-operatives for setting up of agro-processing units of various sizes. It does not wait for the co-operatives to approach it for such projects. Techno-feasibility surveys for formulating various projects are being regularly undertaken by specially constituted teams drawing professionals both from the Head Office and the Regional and Project Offices. The team generally consists of a generalist co-operative expert, a technologist and an economic

or financial analyst. Wherever necessary, a cost analyst also assists the team. Once the project is identified and the co-operatives are keen to take it up, a detailed techno-feasibility report is drawn up with the help of NCDC's experts and sometimes by commissioning outside consultancy organizations for which the entire cost is borne by the NCDC itself. After the report is sent to the NCDC's Head Office, an appraisal team visits the area to appraise the project in detail. Once found feasible, it is sanctioned by the NCDC, which earmarks its own portion of the funds needed for the project and also starts lining up of finances from other sources. Technical help is also provided for selection of plant and machinery and NCDC experts sit as observers on various committees of the co-operatives set up to purchase plant and machinery. NCDC has prepared a number of model projects for agro-processing units which are circulated to the states from time to time. These are regularly modified as cost increases and technology gets updated.

### **Balanced co-op development**

NCDC has also contributed significantly in improving co-operative development in the co-operatively underdeveloped states. The removal of regional imbalances is one of the central aims of the NCDC's policy of co-operative development. In order to accelerate the pace of co-operative development in these states, the NCDC has formulated a special programme of assistance to the co-operatively underdeveloped states, namely, Bihar,

Orissa, West Bengal, Assam, Manipur, Tripura, Nagaland, Meghalaya, Rajasthan, Himachal Pradesh, Jammu and Kashmir and Sikkim, Arunachal Pradesh, Mizoram, Andaman and Nicobar Islands and Lakshadweep. The Corporation has evolved a liberal pattern of assistance for these areas including an element of subsidy, specially in respect of establishment of processing units, construction of godown, purchase of transport vehicles etc. Special promotional efforts are being made to encourage the co-operatives to take up new activities and to expand and diversify their existing ones.

One of the primary objectives of co-operative development programmes is to spread the benefits of co-operative activities to the weaker sections of the community. In this regard, the efforts of the Corporation over the years are most significant. Right from the year 1974-75, it has formulated special programmes for assisting development of co-operatives of the weaker sections of the community. These relate to fisheries, dairy, poultry, handloom, coir, agriculture, tribal and hill area co-operatives and co-operatives for scheduled castes. In providing assistance for such activities, the NCDC adopts a flexible approach so as to provide effective assistance to co-operatives of weaker sections.

Availability of raw materials in proximity of co-operative processing units and loyalty of the members are crucial for the success of the units. The NCDC

has therefore evolved a large number of special crop development schemes for crops like cotton, oilseeds and pulses. The Oilseeds Development Programme envisages increasing the production and productivity of groundnut around co-operative oil complexes through provision of improved seeds, plant protection measures, proper application of fertilizers and other package of extension services. Similarly, the Cotton Development Scheme envisages development of cotton productivity around co-operative spinning mills through extension work, technical guidance, purchase of sprayers etc. The Pulses Development Programme also aims at increasing the productivity in the catchment areas of co-operative dal mills. Effective implementation of these crop development schemes helps in the overall development of the processing units.

In 1977, when I took over as Managing Director of the NCDC, a lot of uncertainty existed regarding continuity of many of its schemes. To put it briefly, I found that there was no certainty that any programme taken up by the NCDC would be able to secure continuing and fixed financial support till a particular year. It was felt that unless a project approach was adopted, it would become almost impossible to complete any given programme during a specified time frame. The World Bank assistance seemed attractive as once a project was approved by this organization, the funding from each of the participating agencies, NCDC, the state government, co-operative society concerned, Government of India

was quantified and a time schedule was also fixed for completion of the project.

### **Internationally aided programmes**

1978 could be said to be a landmark in the history of NCDC since the Appraisal Mission led by Sh. Thillairajah after spending about four weeks in India studying the various projects assisted by the NCDC throughout the country, recommended its recognition by the World Bank as an on-lending agency for its funds. In the year 1979, the first and quite modest World Bank project of NCDC which related to construction of godowns of co-operative societies was approved. Subsequently, the European Economic Community (EEC) also approved the NCDC as a recipient of its assistance for co-operative programmes. This marked a turning point in the rapid development of the NCDC as it was now sure of full financial backing for specified programmes. As years passed, NCDC-II and NCDC-III projects with World Bank assistance were undertaken which comprised, besides the storage programme, financing of cold storages, setting up of cotton processing units including spinning mills and soybean processing plants.

NCDC was keen to secure financial assistance from the World Bank as also the European Economic Community for making larger investments in rural areas which could trigger accelerated marketing and processing activities in the co-operative sector. These funds were needed also for develop-

ment of infrastructural facilities and thus accelerate the pace of growth, particularly in the co-operatively underdeveloped states of the country. NCDC took the lead and assumed the co-ordinating role in the formulation of bankable projects for construction of rural and marketing godowns, establishment of cold storages for potato marketing and setting up of integrated soybean development-cum-processing complexes in twelve states under the World Bank and three states under EEC. Today NCDC is recognized by all the major international development agencies as an institution in India which is worthy of their support for speeding up all round co-operative development in the country particularly in the field of marketing, processing and allied activities.

A question which I am often asked in India and abroad is how has the NCDC been so effective in accelerating co-operative development in India. This is particularly relevant in the context of the interferences in many developing countries of the world, by their governments in the day-to-day affairs of somewhat similar organizations. In so far as the NCDC is concerned it is certainly an autonomous organization in the real sense. However, there is a close link between the Government and the Corporation. While the Union Minister of Agriculture is the Ex-officio Chairman of the General Council of the Corporation, the Minister of State for Co-operation who also deputizes for the Secretary of State in charge of Co-operation in his absence, is the Chairman of the Board of Management. There is adequate freedom for



*The Orissa Weavers Co-op Spinning Mills - an NCDC assisted project.*

the Managing Director to effectively implement the policies laid down by the Board of Directors which are enshrined in the Act of Parliament which set up this Corporation. He enjoys very considerable financial powers to sanction projects and is left free to run the organization. Moreover there is a clear demarcation of functions between the NCDC on the one hand and the Union Department of Co-operation on the other hand. While the Central Ministry is responsible for enunciation of policies in relation to the Corporation and its activities and also approves its annual programme, the Corporation has full freedom of implementation as also in the formulation, execution and financing of its programmes. The experience of the NCDC itself in the early formative years has also shown that if the Corporation were not given full powers and substantive and substantial financial support and proper authority were not delegated to the Managing Direc-

tor, the progress would have been retarded and it would be reduced to functioning like a government department and the desired objectives in establishing an independent corporation would not have been achieved.

The establishment of the NCDC has never been of any disincentive to the development of co-operative leadership and de-officialization, but on the contrary has helped in promoting the state and national level co-operative institutions to foster sound co-operative development in various sectors.

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*The underlying principle of co-operation is faith in the human being, in man's capacity to build and to share. In fostering co-operatives, we hope that the movement will promote people's organizing and administering abilities and serve as a nursery for self-government.*

*Indira Gandhi*

# Co-operative Banking in India

by M. M. Vyas\*

## Introduction

Originally India was inspired by the European experience when Sir Frederick Nicholson, appointed by the Government of Lord Wenlock in 1892, brought out exhaustive reports in 1897 and 1899 on the theory and practice of agricultural finance in Europe, suggesting how a similar movement might be introduced in India. The report outlined the main features on which co-operative credit was organized by the German reformer F.W. Raiffeisen. The ideology of F.W. Raiffeisen was to bring together people of modest means living in the same community, who knew and trusted each other, to enable them to obtain credit by pledging their unlimited liability. Raiffeisen wanted the credit of each society to be strictly supervised by an elected committee, and the administration of the society to be free of charge. After careful study Sir Nicholson suggested that the Indian co-operative movement be initiated in the Raiffeisen Model.

## Structure

The co-operative credit structure is divided into short and long term. The



short term credit structure is federal in character. It is based on a three tier pattern with the State Co-operative Banks (SCB) at the Apex level, District Central Co-operative Banks (DCCBs) at the intermediate level and Primary Agricultural Credit Societies (PACS) at the grass root, i.e. village level.

## Primary agricultural credit societies (PACS)

The PACS, functioning at the base of the co-operative credit system, constitute the major retail outlet of short and medium-term credit. In order to provide for the needs of the weaker sections of society, special types of organization i.e. LAMPS (large sized multi-purpose societies) and FSS (Farmers' Service Societies) have been set up at grass-root level to provide

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the package of credit and other services required by their members. At the end of June 1985, there were about 91,750 active societies covering 572 thousand villages, or 90.6 per cent of the villages in the country, and the population of the villages served by PACS formed 94.9 per cent of the total population of those state/areas. At the end of June 1987, the number of societies was 89,010. The membership of PACS increased from 30 million in 1970 to 36.4 million in 1975, and 71.96 million by June 1987.

Loans advanced by PACS had increased from Rs. 460 per member in 1970 to Rs. 679 in 1975, and Rs. 1605 in 1987. During the year 1986-87 these societies issued loans amounting to Rs. 31,493 million (comprising short-term loans of Rs. 26,200 million and medium term loans of Rs. 5,294 million) as compared with Rs. 17,566 million in 1980-81, and Rs. 21,097 million in 1981-82. The working capital of the societies also increased from Rs. 44,709 million in 1981-82 to Rs. 74,865 million in 1986-87. By the end of June 1987, loans and advances issued by and outstanding to PACS amounted to Rs. 46,358 million.

#### **State and central co-op banks**

While the number of State Co-operative Banks had increased from 25 in 1970 to 28 in 1987, their branches increased from 169 to 568 during the same period. Over the years, their financial position has shown considerable improvement, with an expanded resource base. Their aggregate deposits, which amounted to Rs. 16,752

million in June 1981, rose to Rs. 18,937 million in June 1982, and Rs. 39,126 million in June, 1987. Borrowings had increased from Rs. 6,087 million in 1981 to Rs. 9,309 million in 1982 and Rs. 14,072 million in 1987. Their advances for short and medium-term agricultural operations increased from Rs. 38,038 million in 1981-82 to Rs. 62,606 million in 1986-87. By the end of June, 1987, the outstanding loans and advances of these banks were Rs. 41,016 million, of which Rs. 28,176 million pertained to short-term loans and Rs. 12,844 million to medium-term loans.

In 1987 the number of central co-operative banks stood at 353, with a branch network of 9577 branches. These institutions increased their deposits from Rs. 24,231 million at the end of June 1981 to Rs. 27,701 million in June 1982, and rose to Rs. 59,282 million at the end of June 1987. Their advances to primary credit societies stood at Rs. 62,167 million as at the end of 1986-87, of which Rs. 43,939 million pertained to short-term loans and 18,277 million to medium term loans.

#### **Agricultural credit performance**

Co-operative credit institutions account for 50 per cent of the institutional credit being provided for agricultural and rural development. About 50 per cent of their total loan is estimated to have gone to small and marginal farms and economically weaker sections of society. About 70 per cent of loans provided by the co-operatives are short-term agricultural production loans, the remaining 30 per cent being medium and long term investment credit.

### **Long term co-operative credit structure**

The long term co-operative credit structure is either unitary or federal in character, with State Land Development Banks (SLDBs) at the State level and Primary Land Development Bank (PLDBs) or branches of SLDBs at the lower level.

These institutions depend mainly on debentures for their lending operations. At the end of June, 1988, there were 19 SLDBs. In some of the smaller states and union territories there is no separate SLDB and the State Co-operative Bank has a long-term lending wing. At the base level, LDBs operate through primary banks and branches numbering 2229, with a total membership of over 10 million. The number of CLDBs and PLDB branches and sub-branches stood at 957 and 1272 respectively. The operational units at the base level are supervised, controlled and coordinated by 294 CLDBs offices. During 1986-87, the banks advanced about Rs. 5,700 million. The funds owned by the banks at the end

of 1986-87 amounted to Rs. 5,311 million, of which share capital alone accounted for Rs. 2,069 million.

### **Urban co-operative banks**

Urban co-operative banks deal primarily with small entrepreneurs, small businesses, retailers, small transport operators, artisans, etc. By virtue of certain characteristic features, particularly their co-operative character, democratic management, compact areas and cohesion among membership, they are most suitable to deal with persons of small means. At the end of June 1987, there were 1357 urban co-operative banks including profit making societies in their numbers. Their deposits were Rs. 48,380 million and advances stood at Rs. 36,930 million. More than 60 per cent of the deposits of urban banks have come from people with deposits of not more than Rs. 10,000. In other words, the urban co-operative banks have been in a position to promote thrift and savings amongst small and medium-income groups.



*Housing co-ops will also help to improve the living conditions of those lucky enough to have a roof over their heads*



# Housing the Very Poor in India

Dr. Claus Jürgen Hachmann\*

## Solidarity among housing co-operatives

Since its foundation in 1969 several hundred members have joined the German Development Assistance Association for Social Housing (DESWOS). This non-profit organization works with partner organizations in developing countries in the field of low-cost housing. Solidarity is not just a word, it is action for the benefit of the poor families of the Third World, who need our help urgently. Self-help schemes in low-cost housing, therefore, need an initial push forward. Once projects are realized, the experience gained makes future endeavours that much easier.

DESWOS receives additional assistance through organizations and co-operatives. Its objective is to provide both ideological and practical support for co-operative housing projects.

Apart from housing, projects which generate income are also included. Job creation is, therefore, an essential part of the programme. Co-operative struc-



tures are promoted and partner organizations are strengthened. Training is also vital. Projects are financed by donations, mainly from non profit-making and co-operative housing societies and federations, but also from private sponsors. Funding is received from the West German Ministry for Economic Co-operation and the EEC Commission.

Some examples of successful projects in India are mentioned below. Many others exist in Latin America, Africa and other Asian countries. But, as the ICA Central Committee meeting is to take place in New Delhi in 1989, this article will concentrate on the Indian subcontinent and describe some of its successful projects:

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### **The Verala Dairy Project**

This project, presented during the ICA meeting in Budapest, is a good example of a successful combination of agricultural and housing activities. The Verala Dairy Project Society was founded in 1976 to improve the living conditions of the rural population in Sangli Maharashtra. The improvement of the marketing of milk and its products for small farmers and agricultural workers was the organization's initial objective. Project workers advised the local population about agriculture and farming and trained them in small-scale industry and handicrafts. A well was constructed to improve the water supply and a self-build housing scheme was implemented, using local building materials. Training in building and management skills was a vital part of the scheme. Model farms were also set up to demonstrate new agricultural products in order to improve the nutrition of the population.

### **Reconstruction of villages**

Founded in 1969, the Village Reconstruction Organization helped to promote the development of villages after natural disasters. Six villages in Tamil Nadu, Andhra Pradesh and Orissa received assistance to reconstruct houses, dig wells, improve social facilities and encourage income-generating measures. The training of young people was also undertaken to motivate them to use self-help techniques.

The Andhra Christian Village Reconstruction rebuilt two villages in the district of Ongole, Andhra Pradesh. From the beginning, housing was combined with social services. An orphanage and a health centre were constructed, and programmes on nutrition and agriculture were implemented. In addition to this, a community centre was built as part of the project, to facilitate meetings.



*Mud construction in self-help housing.*

### **Integrated development**

The Independent Christian League was founded in 1972 to improve the living conditions of poor families through integrated development. Integrated development means a combination of housing, training, health, job creation, libraries and consultation.

### **Co-op savings and housing**

Founded in 1935, the partner organization of DESWOS, the Sonatal Milan Sangha, improved the living conditions of poor families through the promotion of agricultural programmes. Later, local small-scale industry and handicraft projects, as well as housing, became part of the organization's work. A training centre, health services and a co-operative savings institution were set up.

### **Self-help housing**

Self-help is the central issue of all DESWOS projects. In Tiruchirapally, Tamil Nadu, a society for education and development, called SOCSEAD, helped slum dwellers to improve their housing conditions. Wells for fresh water were dug and income-generating activities organized. The new village development programme is an important pilot project of slum-upgrading, which could be copied in many developing countries.

### **Housing improvements for poor families**

In Pumalur and its surrounding area, savings and credit associations were founded to improve the settlements of rural inhabitants. Health care centres and social work programmes help to



*Carcass of mud house*



*Mud house after completion*

alleviate the misery and a newly-built well, to provide fresh water, is part of the project.

All these examples show that it is not just the roof over people's heads which changes their lives, but a combination of different measures. Self-help as a principal co-operative issue is realized in all cases, reaching the most poverty-stricken sections of society.

Participants at the New Delhi meeting will be given a guided tour of one of these projects, realized by the Village Reconstruction Organization by Professor Windey, who works there. He is the director of V.R.O. and will come to New Delhi to participate in the discussions. According to Professor

Windey, the central points which must be carefully observed in such projects are:

1. Leadership
2. Administrative controls
3. Education
4. Cultural and social relationships
5. Services and facilities
6. Technical skills and issues
7. Environment, and location of the housing project to enable income-generating measures.

An interesting debate on these central issues and many other related questions is sure to take place in New Delhi and during the excursion itself. I look forward to seeing you there.

# The Co-operative Welfare of Fishermen

S. Chandra\*

Co-operation is the shield of the weak. Fishermen, particularly in the developing world, belong to one of the weakest sections of the economy and there are many areas where co-operation can play a vital and important role in helping fishermen escape from the vicious circle of indebtedness, poverty and illiteracy.

In my opinion, a co-operative confining its activities only to the economic side is not a complete co-operative. A true co-operative must cater to the social needs of its members. Its efforts should be directed to making its members socially conscious, particularly in areas where society is divided into distinct strata marked by socio-economic status. To serve the weaker sections of society, particularly in the developing world, co-operatives must enlarge the scope of their activities to include welfare programmes.

I am reminded of the statement of Prof. D.G. Karve, at the April 1956 ICA Central Committee Meeting in Copenhagen, when he said that "Correct co-operative conduct is to be



measured not in comparative and quantitative terms of individual members of co-operatives, but by the combined qualitative impact of co-operative ideals and practice on the actual life of people." Prof. Karve emphasized that the combined co-operative action that would achieve ideals of democracy, peace and human welfare would have wide acceptance. Hence, it is evident that the welfare of members is an essential ingredient of any co-operative activity.

The need for expanding the co-operative idea to social problems has been discussed many times at different forums, including the ICA. The 21st Congress of the ICA, held in October,

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1960, discussed in detail the need for intensive research on the problems of various types of co-operatives. The then Director, Mauritz Bonow, in his paper entitled 'Co-operation in a Changing World', recalled the circumstances in which the existing types of co-operative association originated, and outlined the role of co-operative movements in democratic welfare, socialist and developing economies. Based on the discussions, a resolution was adopted which recommended the members of the ICA "to exert all their influence upon the economic policy, legislation and social development so as to secure freedom of action and expansion, and the application of co-operative ideas to economic and social problems".

A recent review paper prepared by the ICA Regional Office for Asia on "Fishing Industry and Fisheries Co-operatives in Selected Asian Countries" has highlighted the fact that, in the Asian Region, the fishery co-operative movement has several outstanding examples of success in Japan, the Republic of Korea and India. The success of fishery co-operative movements in these countries can be partially attributed to the welfare activities they undertake.

### **Japanese and Korean experiences**

The Second National Fisheries Co-operative Convention, held in Japan in November, 1986, laid down goals to strengthen the basis for the organization and management of fishery co-operatives with the active participa-

tion of members, and to establish dynamic fishery co-operatives.

The Japanese Movement recognizes that fisherwomen play an important role in fishery activities but require more support. A women's group of fishery co-operatives which initially served as a supporting organization, will now play a complementary role, as part of a policy to promote equality.

Education and training are other important welfare activities. The National Federation of Fisheries Co-operatives Associations of Japan (ZENGYOREN) has been conducting these programmes not only for its members but also for movements in other countries. It conducts seminars for Fishery Co-operatives in South-East Asian Countries. So far, 10 such seminars have taken place. More recently, it has started supporting an ICA Fisheries Committee Lecture Course Project for leaders of fishery co-operatives, for which finance has come from the Official Development Assistance (ODA). Four such programmes have already been conducted in Sri Lanka, Malaysia, India and Thailand.

ZENGYOREN also undertakes a "Members' Established Marketing" programme to save members from losses due to price fluctuation. ZENGYOREN's educational and information activities are undertaken through its Guidance, Fishing Grounds Development and Environmental Protection departments. Such activities are important as they promote the

welfare of the fishermen and their co-operatives as well as the development of fishing grounds and the protection of the environment, which is vital for the welfare of humanity as a whole.

In Japan, although the insurance of fishermen has now taken on a commercial outlook, it started as a welfare activity, which provided relief in distress. The absence of insurance in a hazardous profession like fishing could mean huge losses and, consequently, social and economic degradation. Saving the fishermen from such a situation in case of distress is tantamount to a welfare measure.

The Korean Fisheries Co-operative Movement ensures the welfare of its members in a number of ways. In addition to the promotion of co-operative organizations and the improvement of fisheries' productivity, the movement also provides guidance and supervision. Guidance includes education, training, research and insurance and banking schemes. The Federation started the deposit service in 1969, and the mutual banking service in 1974, which go a long way towards improving members' economic conditions. The Federation's Accident Insurance Scheme has greatly improved conditions for the families of victims of accidents.

### **Welfare for Indian fishermen**

In India the National Federation of Fishermen's Co-operatives Ltd. (FISHCOPFED) and fisheries co-operatives at primary, central and state levels are engaged in a number of

welfare activities for their members. The Accident Insurance Scheme, under which FISHCOPFED has progressively covered more than two million fishermen, has provided accident insurance relief to more than 800 families; the amount paid under the scheme is nearly 12 million Indian Rupees. FISHCOPFED's efforts to improve the conditions of the members of co-operatives through education and training include regular leadership development management training programmes. An ICA Fisheries Committee Lecture Course for Leaders of Fishery Co-operatives (ODA Seminar) sponsored by FISHCOPFED in November, 1988, gave intensive training to 77 leaders of fishery co-operatives.

The population explosion is one of the biggest problems in India. Fishermen, being generally illiterate, suffer from a number of social stigmas and inhibitions and do not easily adopt family planning measures. Furthermore, a large number of fishermen and fisherwomen suffer from diseases such as blindness, tuberculosis and leprosy. Their offspring can also catch a number of diseases if they are not immunized. In order to ensure that the members of fishery co-operatives are given the necessary guidance towards better health care, FISHCOPFED has launched a project under which nearly 10,000 co-operative members and their families will be covered by a programme of health care and family welfare in four states. This is probably the first time that a National Federation of Fishermen's Co-operatives has embarked upon such a programme.

Increasing the productivity of the members of fishery co-operatives is another area in which FISHCOPFED is involved, with financial assistance from the Canadian Co-operative Association through the International Co-operative Alliance. Addressing a National Seminar of Fishermen, Shri Rajiv Gandhi, Prime Minister of India, observed that, through the co-operatives, intermediate technology may be given to the fishermen. Most of the fishermen used hand-braided nets. Now, under the above project, hand-operated net-making machines have been installed in three primary societies so increasing the overall catch and thereby improving income.

Since its inception, FISHCOPFED has consistently made efforts to increase member participation and educate members in their democratic rights and duties. Congresses, conferences and seminars are organized regularly and attendance is high. These measures have improved the working of co-operatives throughout the country. In addition, FISHCOPFED, as spokesman for the fishery co-operative movement, regularly brings the problems of fishermen to the attention of the authorities and takes follow-up action.

### **Conclusion**

However, in view of the size of the country and the magnitude of the problem these activities cannot be said to be sufficient. While fishery co-operatives are being encouraged by the Government in a number of ways, there are certain areas where international assistance would be more effec-

tive. These areas may be identified as follows:

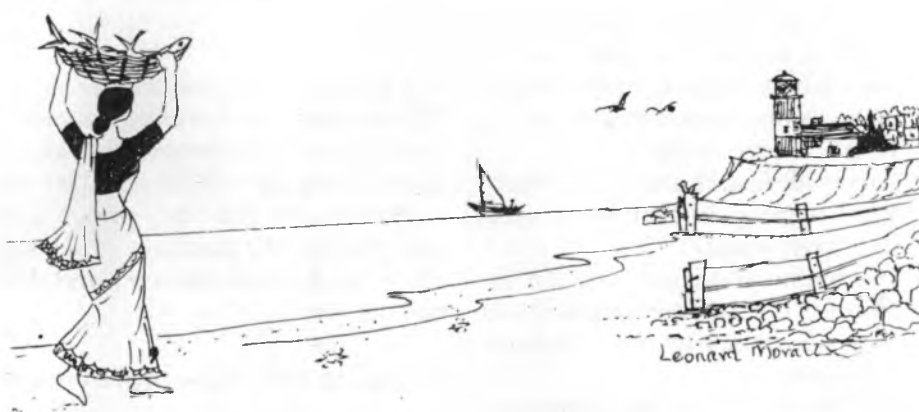
1. Setting up a technical training institution in the co-operative sector to provide intensive technical training to members of fishermen's co-operatives, both marine and inland, so as to ensure adoption of the latest technology.
2. For the transfer of intermediate technology to members there is a need to initiate other programmes similar to the net-making project. In addition to this intermediate-level technology, fishery co-operatives may be supported in the field of boat building. Further, at the national level, developed co-operative movements may support FISHCOPFED in setting up joint ventures for the manufacture of outboard motors and other fishing equipment, and processing and packing units, fish feed production units, etc.
3. In the field of health care and family welfare, where FISHCOPFED has gained some experience, the International Labour Organisation should support FISHCOPFED in implementing programmes in more fishery co-operative societies.

There are a number of other areas where co-operative movements from developed countries and international organizations may come forward to ensure the welfare of fishermen through co-operatives in the developing countries, through the ICA and the National Federation of Fishermen's Co-operatives Ltd. (FISHCOPFED) India.



# Co-operatives and the Welfare of Fisherwomen

by Leonard Moral\*



In Tamilnadu State, women make up about 50 per cent of the total fishing population. They have a dual role to fulfil. While running their households, they are also involved in shore-based income generating activities such as fish handling, distribution, marketing, curing and processing and braiding and mending nets. Their participation in these activities and the subsidiary income which this provides varies from place to place, depending upon their socio-economic status.

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In spite of their involvement in fishing activities, no programmes were undertaken exclusively for the welfare of fisherwomen till 1981. Previous programmes and schemes had been mainly aimed at the fishermen. In 1979, the BOBP conducted two workshops in Tamilnadu, which led to the idea that fisherwomen could be involved in the integrated development of the fishing communities by organizing them into co-operatives. The importance of women in development of the fishing communities has since gained more recognition and the Fisheries Department of Tamilnadu set up the Fisherwomen Extension Service. In October 1981 they organized three Fisherwomen

Co-operative Societies in three districts at a cost of 143,000 Rupees with the following objectives designed to help fisherwomen.

- To assist them to form co-operative societies and to develop their management skills.
- To improve their techniques in fishery activities.
- To upgrade training opportunities in other income-generating activities such as tailoring, doll-making, mat weaving, basket making etc.
- To encourage saving.
- To provide finance and facilitate bank loans, thereby eliminating the need for money lenders.
- To identify and coordinate the activities of other Government and voluntary agencies involved in rural development.
- To make essential commodities easily available to locals at fair prices.
- To help the fisherwomen to become aware of their economic and social problems and find the means to solve them.

The socio-economic status of the fisherwomen has considerably improved since they have been organized within co-operatives.

### **Finance for business**

Prior to the organization of the fisherwomen's co-operative societies, the women involved in fish marketing and allied activities had to get loans for their businesses from money lenders and middlemen at exorbitant interest rates. Since they lived in abject poverty and did not have any assets,

other institutions would not offer them loans or financial assistance. Therefore, the money lenders made a fortune at the expense of the toiling fisherwomen. Now the co-operatives will finance members in any type of business venture. Whenever financial demand from members exceeds available funds, the co-operative arranges loans through the nearest nationalized banks.

In V.O. Chidamaranar District alone, 392 members from four fisherwomen's co-operative societies have been given loans to the tune of Rs. 395,000 for marketing, net braiding, prawn and fish pickling, the purchase of sewing machines, bamboo basketry and doll making etc.

### **Training for self-employment in tailoring**

Fisherwomen's Co-operative Societies train members to become self-employed. Eighteen members of Tharuvai-kulam Fisherwomen's Co-operative society have received six months' training in tailoring, with funding from the Integrated Rural Development Project/Training for Rural Youth Self-Employment Scheme. After training, the co-operative gave them subsidized loans to purchase sewing machines. These were promptly repaid. In Amalinagar Fisherwomen's Co-operative Society, the organization helped 8 members get loans to purchase sewing machines. Prior to training, the village people used to go to the nearby town for their clothes; but now, they have their clothes made in their own villages by their own women.

### **Net braiding**

Under the same scheme women are trained in net braiding by Tharuvaikulam Fisherwomen's Co-operative society. Instructors are paid every month, and the trainees get a grant during the six-month training period. So far 59 members have been trained.

Once trained, members are given loans by the co-operative or the bank to purchase nylon twine to braid fish nets for their own use or for selling. Net braiding is also undertaken by other fisherwomen's co-operatives. They get orders from the Fisheries Department. Nylon twine and net specifications are supplied to the societies. Members get the twine from the co-operative and braid the nets at home in accordance with specifications. The rate of pay is Rs. 35.- to Rs. 120.- per kilo of nylon twine, depending on the type of twine and mesh size.

### **Bamboo basket making**

Twenty-eight members of the Tuticorin North Punithavalan Fisherwomen's Co-operative Society have been trained in bamboo basket making. Subsequently, they were given bank loans of Rs. 500.- each to start them off. The baskets are mainly used for carrying fish by head or bicycle from the landing centre to the market places.

### **Fish processing**

Five members of Tharuvaikulam Fisherwomen's Co-operative Society have been trained in fish processing, fish and prawn pickling and preparation of other fish by-products by the Cen-

tral Institute of Fisheries Technology, Cochin. The training was conducted free of charge at the Fisheries Training Centre in Tuticorin with travelling and incidental expenses provided by the co-operative. Similarly, 20 members from four fisherwomen's co-operative societies have been sent on 15-day fish processing and management courses at the Fisheries college, Tuticorin, under the Ford Foundation scheme (USA). As a follow-up, arrangements were made through the District Industries Centre and banks to raise loans to start a small industry producing marine products such as pickled fish and prawn, fish soup powder, dry fish, etc. In addition to this, Fisheries College Staff went to Amalinagar Fishing village to run training camps for the local Fisherwomen's Co-operative Society. It was proposed that similar camps should be organized in other villages.

### **Fair price shops**

Fisherwomen's co-operative societies run fair price shops in three villages far from the main marketing centres in V.O.C. District, providing groceries and textiles at competitive prices. The commodities are purchased from the District Consumers' Co-operatives Wholesale Stores on credit. Young widows are employed as administrative sales staff. The President and Board members manage these shops, which are periodically inspected by staff from the Fisheries Department.

### **Better clothing**

To assist their members, a few societies purchased quality clothes from

the cooptex, and the Tuticorin Coral Mill Co-operatives Society allowed their poorer members to buy them on credit. Controlled-price cloth which is normally supplied by the Government ration shops can now be purchased at the co-operatives' fair price shops.

### **Saving schemes**

With a view to encourage the habit of saving, the fisherwomen's co-operative run saving schemes. Members are encouraged to open savings accounts in the co-operative societies' post office or nationalized banks and to join group insurance schemes.

### **Training for co-op management and community organization**

The fisherwomen were quite new to co-operative activities and management. Therefore, they needed training to develop their managerial skills and leadership qualities so as to run the co-operatives efficiently. A three-week residential course in community organization and the management of co-operative societies was provided for the Board of Directors and active members of each co-operative society under a three-year Project (1985-1987). The Natesan Co-operative Training College offered the course with funding from the State Co-operative Union and Fisheries Department. Organizational support was provided by the Fisherwomen's Extension Service. The women were taught about the co-operative principles, management of co-operatives, book-keeping, accountancy, record maintenance, minute writing, etc. They were given leadership training and provided with infor-

mation about Government schemes affecting co-operatives. They were also made aware of economic, socio-cultural and political structure in the village, the role and status of fisherwomen in the village, the need to organize women groups, etc. Two to three members of each co-operative society were trained, and the scheme has been very successful.

### **Government funding**

The Government of Tamilnadu has given a total of Rs. 40,000 to three fisherwomen's co-operative societies in VOC district. It has also lent the Tharuvaikulam Fisherwomen's Co-operatives Society and the Tuticorin North Punithavalan Fisherwomen's Co-operatives Society 20,000 and 40,000 Rs. respectively as working capital. Government assistance, coupled with members' share capital, has increased the borrowing power of the societies considerably.

### **Conclusion**

The organization of the fisherwomen's co-operative societies has created an awareness among the women. By the sincere and strenuous effort of the fisherwomen's co-operatives under the guidance of the staff of the Fisheries Department, the socio-economic status is gradually progressing. Membership has increased, and new societies have been organized in other coastal villages. There is immense scope for expanding the services of the co-operatives to all coastal villages in the State, and to better the social and financial status of women from the fishing community.

# The Role of Development Banks in Indian Agriculture

By B.S. Vishwanathan\*

In India, Co-operative Land Development Banks, also known as Agriculture and Rural Development Banks, occupy a unique position and distinct identity as specialized institutions, catering exclusively to the credit needs of rural people. Unlike other rural credit agencies, which are banking institutions, Land Development Banks (LDBs) operate exclusively in agricultural lending, and only recently have some of them begun to finance the non-farm rural sector.

## Background

In India, money-lenders and other non-institutional sources accounted for the bulk of rural credit at the time of independence in 1947. The first organizations to replace them were the co-operative institutions which were formed at the beginning of this century. As Primary Credit Societies, by nature of their resources and management, proved only able to supply short- or medium-term credit, the need to establish Land Mortgage Banks to cater exclusively for long-term loans needs of farmers was felt. These Land Mort-



gage Banks, which later became known as Land Development Banks, have a history of about seven decades in India, since the establishment of the first Bank in 1920. The real beginning of land mortgage banking was, however, marked by the establishment of the first Central Land Mortgage Bank in 1929 in Madras. On the recommendations of various Commissions and Committees, more banks were set up in other States, particularly after Independence, to provide long-term loans to farmers for the liquidation of past debts or land improvement. When the country attained independence, there were, however, only five Central Land Mortgage Banks operating through 284 primary banks with loans outstanding of only Rs.31 million and disbursement during the year amounting to Rs.5 million.

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## **Growth**

With the advent of economic planning in 1951, the development of agriculture received significant attention and it was in that context that Land Development Banks were assigned a positive role to lend funds for productive purposes on the recommendation of the Rural Credit Survey Committee in 1954. This committee also recommended the organization of Central Land Mortgage Banks in all States. Presently, there are 19 Central Land/Agriculture Development Banks in the country. These operate through a network of about 2,500 branches and primary Land Development Banks at lower level and are supervised and controlled by 299 offices of the State Land Development Banks at the intermediate level. They have a membership of over 10 million, with loans outstanding amounting to Rs.32,200 million at the end of June 1988. The banks have made steady progress in the matter of credit disbursement, which was in the order of about Rs.7,000 million during 1988-89 and is expected to reach Rs.9,000 million during 1989-90. This growth rate has been rather modest due to various factors, and has to be viewed in the context of the multi-agency rural credit set-up operating in the country, where LDBs are one among several other agencies operating in the field of rural credit.

## **Diversification**

The evolution of the banks' credit operations shows a marked change in as much as the banks now lend only for productive purposes, compared

with loans mostly for debt redemption up to the early 60s. While switching over to productive lending, they concentrated mainly on the development of minor irrigation projects because of their importance to the country's agriculture. However, in recent years, the banks have considerably diversified their loan portfolio. They finance not only traditional arable farming activities such as irrigation, farm mechanization and horticulture but also several animal husbandry activities like poultry and dairy farming or pig and sheep rearing and subsidiary activities such as fishery, sericulture etc. Major diversification of loans took place in 1987-88, when the banks started financing agricultural labourers, rural artisans and small rural enterprises for various income-generating economic activities. Such activities create employment in rural areas besides improving the rural economy. Yet another area which the banks contemplate entering into shortly is Housing, as the Government has recognized their suitability for financing rural housing for farmers. A National Housing Bank was established in 1988 to support house-building activities in the country, and the Federation of LDBs is presently engaged in negotiating with this Bank to secure resources for the member LDBs for financing rural housing. The banks are now considering the provision of credit support for certain special programmes like afforestation, wasteland development and agro-processing, which have enormous scope and potential and are considered important for the economic development of the country.

### **Loans and Terms**

The policies and procedures adopted by the banks are more-or-less uniform, though there are some differences because of variation in structural pattern, local conditions etc.. The banks traditionally finance farmers only against the mortgage of their land. A shift from security-oriented to production-oriented lending has taken place in order to involve the banks more effectively in rural development programmes. Viability of investment and repaying capacity, rather than security of land, are more important today in determining loan eligibility. Loans are generally advanced for periods ranging from 5 to 15 years at a concessional rate of 10 per cent to farmers of smallholdings rather than the usual rate of 12.5 per cent. Terms are generally uniform in all the banks, because they are determined by the large national banks by governmental request. Such stipulations relate to rate of interest, period of loan, down-payment, unit cost etc. in addition to security norms and valuation. The banks are expected to follow these terms and conditions whatever the source of funds.

### **Resources**

Unlike other banking institutions, which raise funds by mobilizing deposits from the public, the main source of funding of LDBs is refinance from the National Bank for Agriculture and Rural Development (NABARD) which contributes to the debentures floated by the banks. These debentures are floated on the guarantee of the State Governments and against the security of mort-

gages etc. raised by the banks from borrowers. While special debentures floated by the banks are partially subscribed to by NABARD and the State and Central Governments, others, known as ordinary debentures, are subscribed to by institutional investors like the Life Insurance Corporation, Commercial and Co-operative Banks. NABARD has emerged as the LDB's main source of funding, accounting for about 80 per cent of their annual resource needs. Since agricultural advances are subsidized as a matter of Government policy, refinance provided by NABARD is also at a concessional rate compared with ordinary debentures floated on the market. Because of the high cost of funds borrowed from ordinary debentures, which exceeds the lending rate of the banks to their borrowers, the banks are reluctant to raise more funds in the market, as they will be incurring more and more losses by the negative margin in their operations. Apart from funds raised through debentures, the banks also have their own liquidity, which is deployed in lending to some extent. As the funds for lending to the banks come mostly in the form of refinance from NABARD etc., they have to depend on interim finance for initial lending. This is obtained from NABARD and the Co-operative and Commercial Banks.

The Land Development Banks are not banking institutions in the real sense, as they do not transact normal banking operations except advancing loans. They are, however, not precluded from raising deposits from the public. Be-

cause of the ceiling on interest rates for agriculture and rural lending, the banks find it unremunerative to deploy costly deposit resources in subsidized lending. However, they contemplate raising funds by mobilizing deposits, provided they are able to deploy such resources in remunerative operations.

### Problems

Agriculture is the mainstay of the country's economy, though much progress has been made in the industrial sector. About 70 per cent of the population live in about half a million villages, and the majority of them still depend on agriculture and its related activities. In the economic planning of our country, the development of agriculture has been accorded the highest priority for increasing productivity to meet the growing need for food and raw materials for industry. Demand for credit in the agricultural sector is, therefore, enormous and it is doubtful that a single institutional agency could meet it fully. Therefore, as a matter of policy, in the rural credit field a multiplicity of agencies operate side by side with the co-operatives, supplementing each other's role in meeting the growing credit needs. Co-operatives, therefore, do not enjoy a monopoly and, in fact, their share in agricultural credit has come down from 80 per cent in 1969, when the major commercial banks were nationalized, to 42 per cent in 1987. Today, co-operatives are facing keen competition from the commercial banks, which have a large network of rural branches providing banking and credit services to the rural population.

Apart from competition, the Land Development Banks are also facing the problem of resource constraints for lending because they have no resources of their own, being non-banking financial institutions. Their excessive dependence on refinance support by higher financial institutions like NABARD has subjected them to various kinds of disciplines, controls and regulations. The growth in the credit operations of the Land Development Banks, which is presently in the range of 10 to 15 per cent per annum, has been rather modest for these reasons. Nevertheless, it is envisaged that their advances in 1989-90, which is the terminal year of the current VII Plan, is likely to be of the order of about Rs.9,000 million and a projection of Rs.78,250 million has been made by the National Federation of Land Development Banks for credit disbursements during the VIII Five Year Plan period 1990-95. The operations of the banks are likely to touch the level of Rs.20,000 million during 1994-95 by diversification of the loans portfolio for agriculture and non-farm and rural housing sectors. The banks plan to supplement their resource position by deposit mobilization, which, in turn, would reduce their excessive dependence on refinance support.

Closely linked to the problem of resource constraint is the problem of default in agricultural lending, which is rather high. The position of Land Development Banks in this regard is far from satisfactory. This has made it more difficult to recycle the scarce resources deployed in agriculture. Several factors are responsible for the



growing trend in arrears and defaults, including the severe drought and flood conditions which the country has experienced during the last 3-4 years. Crop conditions during the current year are extremely satisfactory and better recovery results are expected.

Retailing rural credit is expensive in India because the average advances are small and the cost of supervision is relatively high. Because of high cost of credit operations, and slower growth rate in advances, banks are finding it difficult to remain viable. Another major factor responsible for this position is the concessional lending rate fixed by the Government for agricultural advances and the increasing cost of funds borrowed from the market, which has resulted in narrowing down the profit margins of the banks. If this issue is not tackled promptly, it may affect the viability of the co-operative credit structure, including the Land Development Banks, as their credit operations are exclusively in agriculture and related sectors.

A recent development in the area of rural credit is the new scheme of "Service Area Approach" introduced by the Central Bank, under which each branch of a Commercial Bank and the Regional Rural Bank (RRB) has been assigned a specified number of villages for assessment of potential for financing and deployment of credit. Under the scheme it is envisaged that the co-operatives and the Commercial Banks will operate as two parallel credit delivery channels in all areas. It is also envisaged that the activities of both Commercial Banks and co-operatives

will be co-ordinated. Although this is a major step in improving the quality and productivity of rural lending, the co-operatives are apprehensive, as the scheme is likely to affect their business operations, besides making the competition more severe. It is too early to predict the impact of the scheme as this can be assessed only after it has been in operation for some time.

### **National federation**

The National Co-operative Agriculture and Rural Development Banks' Federation, established in 1960, has played an important role in strengthening the credit structure of the Land Development Banks and their operations over the years. It has also promoted the interest of the member banks by steadily expanding its activities and services. The Federation has established effective co-ordination and liaison and promoted understanding among member banks and other agencies, Central and State Governments, and the Reserve Bank of India and NABARD. Other activities of the Federation include organizing conferences, seminars and workshops, undertaking research studies, formulating schemes, compiling and publishing statistics, sponsoring study teams, co-ordinating investments in debentures, undertaking special training programmes, publicity work, and providing guidance and advice on issues related to policies and procedures of loans, finance and management. In 1982, it also set up a project to provide consultancy services and assist member banks with regard to the identification, formulation and evaluation of developmental projects.

### **Conclusion**

The role played by the Land Development Banks in financing various development activities in agriculture over the years has been well recognized, and recent developments in diversifying and expanding their activities in other areas of rural credit. While their specialization and expertise in term lending operations has been a plus factor, the major inhibition has been the limited role of credit dispensation mainly for agriculture without transacting other banking activities, in comparison to other agencies in the rural

credit sector. The competence and capability of the banks for effective and efficient functioning depends largely on solving some of their problems like resources and profit margins, credit delivery network, credit policies and procedures, default rates and diversification of activities. In order to increase their effectiveness, LDBs also need to expand their retail outlets by establishing more primary banks and branches; and to increase the efficiency of their operations they will have to professionalize management at all levels.

# Industrial Co-operatives

by D. D. Sharma\*

## Introduction

An industrial activity can be carried out through various forms of organization to fulfil given objectives or goals determined by the socio-economic conditions of an economy. It can be undertaken on a sole proprietor basis, or as a joint-sector or co-operative enterprise. Each has its advantages and disadvantages. The advantages of an industrial co-operative lie in terms of pooling of resources, equality of opportunity and status for each member and, above all, a valuable schooling in democracy. The pooling of resources allows the organizations to take advantage of economies of scale: the principle of one member one vote makes the co-operative venture an industrial and economic democracy.

Prior to the Industrial Revolution of 1760, most industrial activity was carried out by individual craftsmen who obtained guidance from master craftsmen and were served by the guilds in the marketing of their products and in financial matters. Although this system was not free from exploitation, it worked fairly well until the dawn of the machine age. The industrial revo-

lution disturbed the working balance then prevailing. Mass production left individual craftsmen in a weak position and put many of them out of work.

It was at this stage that the need to organize craftsmen into co-operative organizations arose so as to help them to enhance and increase their scale of operation without losing their independence. Accordingly, in the West, the co-operative came into existence around that period. The leaders were France and Britain, said to be the cradles of workers' co-operation in the production process. This is attributable to the existence of the right conditions in terms of an informed working class with a sufficient level of economic awareness and, above all, a satisfactory level of general education.

While in Britain consumer co-operatives were established first, in Germany co-operative activity started around 1860 in the field of agricultural credit. One characteristic which these two movements had in common was the existence of vulnerable groups which wanted to protect themselves. France is recognized as having contributed the industrial co-operatives.

In India, there was some delay in the arrival of the machine age, and ac-

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cordingly the need for co-operative organization was also realized somewhat late, although the exploitation of the workers was of the worst degree under the prevailing feudal system.

The first act relating to the promotion of co-operatives was passed in 1904 and its main aim was the development of co-operative credit societies in the agricultural sector to free farmers from the usury of money lenders. Further, it was restrictive in that it only covered the primary credit-societies and did not cover non-credit or federal societies. However, this was followed by the Co-operative Societies Act of 1912, which made up for some of the short-comings of the earlier act and later served as a model for subsequent acts made at State Government level.

Government recognition of the need for industrial co-operatives was not obtained until two decades later. The handloom sector and the tanning industry were two major decentralized industries where the workers could not make ends meet. Popular sympathy brought this to the attention of the Government, which established a number of industrial co-operative societies in these industries. However, the basic infrastructure responsible for the success of Western co-operatives was not strong enough in India to ensure a good reception of the Movement.

### **Role of co-operatives in the development process**

India attained independence in the year 1947. It became a democratic

republic which had as its outstanding features social, economic and political justice, and equality of status and opportunity. The Government initiated a process of planned development of the economy with a leaning towards a socialistic pattern of society.

At the time of Independence most economic activity was decentralized with low levels of returns. The decision was made to encourage co-operatives in different fields. This thinking was enshrined in the directive principles of State Policy of the Constitution of India and its immediate beneficiary was the agricultural sector, which provided a livelihood for more than 75 per cent of the people. The co-operative form of organization was promoted in that sector in keeping with the declared intentions of the Government to establish an egalitarian society. Following this, the manufacturing industry was next to receive Government attention, with the adoption of its first Industrial Policy Resolution in 1948. This gave a distinctly Co-operative bias to cottage and small-scale industries and provided the broad guidelines for the formulation of India's First Five Year Plan (1951-56). This Plan was mainly a rehabilitation plan for India's economy, devastated by the Second World War and the partition of the country.

After gaining experience from the implementation of the First Five Year Plan, India was in a position to redraw its industrial development policy in the shape of the Industrial Policy Resolution of 1956. While the Directive

Principles of State Policy enshrined in the Indian Constitution of 1951 had laid down that "the State shall endeavour to promote cottage industries on individual or co-operative bases in rural areas", the Industrial Policy Resolution of 1956 stressed that:

"The principle of Co-operation should be applied wherever possible and a steadily-increasing proportion of the activities of the private sector developed along co-operative lines. Many of the activities relating to small-scale production will be greatly helped by the organization of Industrial Co-operatives. Such co-operatives should be encouraged in every way and the State should give constant attention to the development of cottage, village and small-scale industries."

In the light of the above, the State has attempted to promote cottage and small industries on a co-operative basis. In contrast to the West, where the co-operative movement was the people's movement, in India the Co-operative movement had to be introduced to the people from outside. Accordingly, over successive Five Year Plans of Economic Development, a number of measures have been taken by the State to promote village and small-scale co-operative industries. The underlying principle has been to strengthen economic democracy so as to strengthen political democracy. Governmental involvement in the co-operative movement has been financial, managerial, regulatory and also advisory. In order to put the movement on a sound

basis the Government also undertook evaluation of the working of the industrial co-operatives by setting up two working groups: one in 1957 and the other in 1962. The recommendations of these Study Groups were implemented in an attempt to improve the status of the industrial co-operative movement.

An institutional set-up has been created to provide the much-needed organizational support to industrial co-operatives. These include:

(i) the National Bank for Agricultural and Rural Development (NABARD), to facilitate the flow of much-needed finance to this sector through its scheme of refinance available to various State level financing agencies,

(ii) the National Co-operative Development Corporation (NCDC) to look after certain promotional and developmental aspects of co-operation,

(iii) the National Council for Co-operative Training (NCTC), which organizes training and refresher courses for those in the fields of management, accountancy, etc.; it also organizes member education programmes which is a very basic prerequisite for the success of the co-operative movement.

One important institution created exclusively to cater for the needs of the industrial co-operatives is the national level apex body called the National Federation of Industrial Co-operatives Ltd. (NAFIC). NAFIC was set up in 1966 following a Governmental decision on the recommendations of the

Second Working Group on Industrial Co-operatives, which had observed that, while a number of single industry federations of industrial co-operatives had been promoted, there was a need for a multi-industry apex body to co-ordinate the promotion and development of industrial co-operatives. NAFIC acts as spokesman, and provides consultancy and business services for the co-operatives. However, its main activity is providing assistance to its member societies by marketing their products in both internal and export markets. Even in this field, it has not always been able to achieve its goals.

### The progress of industrial co-operatives

In terms of number of societies, their membership and level of production and sales, the data compiled and published by the National Bank of Agricultural and Rural Development (NABARD) are shown below:

The above does not include processing co-operative societies, which, although they are also industrial co-operative societies in broader terms, are treated separately on the grounds that a large percentage of members may not be engaged in the manufacturing process as such (as is the case

#### Progress of Weavers' Primary Co-op Societies

Year	Number	Membership	Production (Rs.in thousand)	Sale
End of 2nd Plan (1960-61)	11,803	1,110,800	342,784	368,861
End of 3rd Plan (1965-66)	12,947	1,314,746	840,137	635,341
End of 4th Plan (1973-74)	12,861	1,184,307	2,077,936	1,435,086
End of 5th Plan (1977-78)	14,251	1,089,596	1,871,778	1,127,381
During 6th Plan (1980-81)	15,541	1,663,359	4,758,174	2,797,819

#### Progress of Other Industrial Primary Co-operatives

Year	Number	Membership	Production (Rs.in thousand)	Sale
End of 2nd Plan (1960-61)	21,288	1,217,318	161,449	179,369
End of 3rd Plan (1965-66)	34,950	1,599,547	482,860	366,946
End of 4th Plan (1973-74)	34,435	1,710,361	788,582	503,169
End of 5th Plan (1977-78)	24,804	1,478,348	852,977	766,808
During 6th Plan (1980-81)	32,740	1,943,619	1,345,968	1,545,632

of the cotton growers' co-operative spinning mills/weavers' co-operative spinning mills). From a perusal of the detailed data available with respect to the industrial co-operatives, it is to be admitted that progress has been somewhat erratic. Only in a few states such as Andhra Pradesh, West Bengal and Tamil Nadu have the industrial co-operatives contributed substantially to the industrial production of the country, and only for a few industrial products like handlooms, coir, etc. has the co-operative form of organization been acceptable.

### Problems Identified

As previously stated, the essential prerequisite for a successful co-operative movement, particularly in the industrial sector, is an informed working class with a sufficient level of economic awareness. This has not been built up in India. Besides this basic premise, the problems which have been identified in various forums, and which are being posed for consideration in connection with the formulation of the Eighth Five Year Plan of India, are on the following lines:

1. Industrial co-operatives should be recognized as important agencies, providing employment for artisans and craftsmen. Early Industrial Policy Resolutions of Government of India (i.e. 1948 Policy Resolution and 1956 Policy Resolution) specifically outlined a role for industrial co-operatives. Following the 1956 Policy Resolution, there has been no long-term policy resolution in relation to Industrial Co-operatives.
2. Since 1962 (the year in which the 2nd Working Group on Industrial Co-operatives was appointed), no systematic efforts have been made to evaluate the progress and problems of industrial co-operative institutions. In the 8th Five Year Plan, therefore, the Government should set up a high-power working group to review the organization of industrial co-operatives and to suggest policy guidelines for their development.
3. The National Federation of Industrial Co-operatives should be strengthened and expanded so that it is in a position to integrate the entire sector of industrial co-operatives.
4. Certain products should be exclusively reserved for industrial co-operatives. The Government should give priority to purchasing these items.
5. Big industrial undertakings should sponsor industrial co-operatives as their subsidiaries, purchasing their products.
6. The Member Education Programme of the National Co-operative Union of India should be expanded to cover every state.
7. There is need for an agency at the international level to effect the transfer of technology.
8. It has been observed that putting a limit on capital return has proved a discouraging factor for new invest-

ments in the industrial co-operatives. This will need to be changed. There should also be special dispensation by way of provision for concessional rate of interest for industrial units set up by artisans on a co-operative basis.

9. It has been rightly observed by the co-operative leaders that co-operatives have failed, but must succeed. We in India consider the co-operatives, and more so the industrial co-operatives, to be the most appropriate form of organization for the promotion of industries. We have a huge unemployed and under-employed labour force. Comparatively speaking we are short on capital, and what is available is difficult to locate and em-

ploy. On the one hand we have to keep pace with the fast-developing world in the matter of basic industries and the necessary infrastructures, and on the other we have to promote consumer industries in such a way that their demands on meagre capital resources are minimized and that they help create employment to compensate for the low levels of employment generation in the large industries sector and also to provide employment for those who have been made redundant by an increasingly mechanized agricultural system. The promotion of industrial co-operatives would strengthen industrial democracy, which in turn would strengthen our system of political democracy.



# The Warana Co-op Complex

## A Study For International Collaboration

by Shri N.K. Naik\*

Having played a vital role in the development of the Warana Valley for three decades, the Warana Co-operative Complex has become a pilot project for Integrated Rural Development. As the ICA is devoting a review to various aspects of the Indian Co-operative Movement, I would like to review the achievements of our Co-operative Complex and express my thoughts on the possibility for international co-operation in future development programmes.

The unprecedented depression of 1951 ruined farmers in this area, who destroyed their sugarcane rather than make gur to sell at give-away prices. Shri V.A. Kore was deeply affected by the condition of farmers and, in 1954, he decided to set up a modern co-operative sugar factory as a first step towards improving their economic status and the overall development of the Warana Valley. Convincing the orthodox minded farmers to set up a sugar factory owned and managed by



themselves, was an uphill task, but Mr. Kore, helped by a group of social workers, visited almost all the farmers of the 66 villages, and eventually won their support. Fund-raising was the next obstacle to overcome. Very few of the farmers had savings. Most had to sell their most treasured possessions in order to buy shares.

Following two years of hard work, the Society was registered on 27th September 1955, under the Co-operative Societies Act. It aims to improve the economic conditions of the agricultural producers, through co-operative processing and marketing of their produce, and improve social conditions for people residing in the area.

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As soon as an industrial licence was received from the Indian Government, construction and machinery installation commenced, and the barren and desolate land started buzzing with round-the-clock activity. The factory has broken all previous records in the long history of the Indian sugar industry.

This has been made possible by effective organization, the enforcement of exacting standards at all levels, and the consideration of all major factors that affect production.

The following statistics illustrate the spectacular progress of the sugar factory:

Details	1959-1960	1986-1987
Producer member	1,768	10,607
Sugarcane acreage	2,666	17,775
Sugarcane crushing (million tons)	66,843	566,229
Sugar production (ATLS)	84,577	679,929
Authorized share capital (rupees)	6,000,000	20,000,000
Capital assets (rupees)	13,700,000	221,700,000
Paid up share capital (rupees)	2,600,000	12,900,000
Own funds in rupees	800,000	95,900,000
Producer members' non-refundable deposits (rupees)	200,000	41,400,000
Producer members' and non-members' development deposits (rupees)	---	64,000,000
Capital loan-initial expansion in rupees	6,500,000	21,600,000

Thus, the farmer, who once had to part with his belongings to contribute Rs. 250 towards initial share capital, now has assets of Rs. 221,700,000. In 1968, such wealth could not even be dreamt of by most farmers, but the co-operative venture has made it reality. However, the co-operative's ultimate aim was the development of the rural area. As the sugar factory began to gain strength and economic stability, its management started to tackle this objective in earnest.

### **Rural development**

As agriculture employs the majority of the people, and provides raw materials for the industry, its development has been given priority. The Agricultural Development Cell, set up by the Government for this purpose, organizes various activities such as the propagation of modern technology and equipment, seeds, soil testing and fertilizers. Irrigation schemes and the construction of new wells are also in progress. This has resulted in an increase in sugarcane acreage from 2,752 to 19,200 over the last 25 years.

### **Dairy and poultry co-op**

The sugar factory improved the lot of cane growers, who make up 20% of the rural population. However, the remaining 80% also needed to supplement their income. Dairy and poultry farming were two agricultural industries, which could be adopted by the rural population. This was achieved by establishing co-ops which have greatly improved their conditions:

- The Warana Co-operative Complex has set up a milk project along the lines of the "Anand" and "Mehas-

ana" dairy projects in Gujarat. The plant processes 100,000 litres of milk per day, collected from farmers in the 176 surrounding villages. It has ensured a guaranteed market for their milk at a fair price. Veterinary services, credit and other facilities are provided by the Society for the purchase of high-yielding cattle. The compact, automatic plant processes milk into value-added products like pasteurized milk, milk powder, ghee, butter and shrikhand. Milk production within the area has increased from 1,200 to 60,000 litres per day, adding Rs. 33 Crores per annum to the average income of the rural population.

A central poultry unit providing poultry, feed, veterinary facilities and egg marketing was set up and farmers were given training in the scientific rearing of birds and helped to set up their own poultry farms. Today there are 450 such units with 250,000 birds, producing 13 million eggs per annum and providing an income of 4 million rupees. It is a dream of our Chairman, Shri Tatyasaheb Kore, that every family in the area should be the proud owner of at least five cattle and 100 hens which should assure a minimum annual income of Rs. 10,000 per family. This is his solution to eradicating poverty in rural India.

### **The Warana co-op bank**

For the promotion of the above schemes, we felt it necessary to have our own financing agency. The Co-operative Bank, therefore, came into being in 1966. This is an example of self-help. The bank encourages the rural population to save, enabling it to secure

deposits to the value of 160 million Rupees. These are used to finance small farmers and to help artisans and agricultural labourers to set up in business. The bank demonstrates its social responsibility by providing loans at subsidized interest rates to the poorer members of society and interest free loans to deserving students to finance higher education.

### **The Warana bazar**

Without proper consumer services, the increased income of the local population would be wiped out by private traders. We, therefore, embarked on the Consumer Service Project. With the help of experts from the N.C.C.F., the first Indian Department Store, Warana Bazar, was set up in 1978, with special emphasis on the requirements of the rural population i.e. agri-

cultural goods, groceries, textiles, household goods and medicines etc. Annual sales have increased enormously over the store's life of 11 years, showing that it has gained the trust of the rural population. The next step is to reach the rural interior by opening a chain of smaller department stores and this has already begun with the opening of a department store and 11 smaller branches.

### **Social and cultural welfare**

Financial prosperity is only one aspect of human life. Society must shed old prejudices and superstitions and adopt a modern, scientific outlook and values to achieve the goal of social justice. We, therefore, work towards this aim, guided by the Indian Government's New 20 Point Programme for integrated development.



*The Warana Bazar.*



*Training and production centre*

### **Education**

Education is a potent and formidable agent of socialization, and a vehicle of social mobility. It can open up a new way of life, new horizons, new aspirations and new opportunities. It is the most powerful weapon of social transformation, giving the new generation a scientific outlook and making it conscious of its social and national responsibilities.

The Warana Co-operative has, therefore, established an educational society named "Shree Warana Vibhag Shikshan Mandal" which provides educational activities from nursery level to degrees in arts, science, commerce and engineering. About 4,000 students are studying on campus. In addition, efforts are being made to improve educational standards at village schools

by constructing new buildings and providing science and sport equipment, library books, etc. Fifty-five nursery schools are being run in various villages.

### **Community services**

The Warana Co-operative Complex plays a vital role in the rural life of Warana Valley in improving its economic, social, educational and cultural life, helping to sponsor schemes such as family planning, adult education, mobile medical services and projects like the Gobar Gas Plants.

### **International collaboration**

Rapid progress in science and technology is widening the gap between the developed and developing countries, which can only be filled by the transfer of technology.

Our work in Integrated Rural Development over the past three decades has proved that rural development can be achieved by adopting new technology, which can be assimilated by the rural population, e.g., sugarcane development, extension of irrigation facilities, dairy and poultry farming. The application of modern technology in the cultivation of crops and cattle and poultry rearing improved their productivity, and a centralized transport, processing and marketing organization, has provided the rural population with a guaranteed market and better returns for its produce.

Development activities at our complex have acted as catalysts and many of our ventures have been used as a model by co-operative sugar factories in Maharashtra. In particular, we have been actively involved in setting up consumer department stores in other places such as Alibag, Phaltan and Sangli. We are now, therefore, in a position to provide a consultancy service to other regions wishing to establish their own development programmes. However, we lack the latest technology in the following fields:

- Increasing agricultural yields
- Mechanization of sugarcane harvesting and transportation
- Modernization of sugar production units
- Recycling energy & chemicals from industrial waste, especially from the paper and distillery industries in order to help to solve the environmental problem
- By-product industries based on industrial alcohol
- Setting up small scale industrial estates for high-tech products, to be linked to large scale industries.

We thus feel that a mutual exchange of technology, organizational and entrepreneurial skills and experience will greatly assist the developing and underdeveloped countries. International agencies could assist in many ways and an organization like the ICA could act as the catalyst, identifying with agencies in other countries which would be willing and able to participate in such programmes.

## Interview with Mrs. Kamala Eminent Co-operator and Minister for Agriculture and Sanskrit

by Dr. R. C. Dwivedi

*How were you motivated for co-operative work and what were the sources of inspiration (personal observations, reading co-operative literature, contact with state and national level leaders, etc.)?*

I come from an agriculturist family and I have attachment with village and village life. I have full comprehension, knowledge and understanding of problems of agricultural producers. I am also aware of how the farmers were being exploited by the moneylenders and village traders. When co-operation was adopted at the national level as an instrument of removing exploitation of producers, who toiled in the field and cottage and village industries, this appealed to me most, emotionally and practically. At the same time, I came into contact with persons like Mr. Motilal Chowdhury and others, who were engaged in organizing the co-operative movement in Rajasthan, I was associated in the organization of the work of Rajasthan State Co-operative Union and two or three other state level co-operative institutions. I was made the General



Secretary of the State Co-operative Union. This gave me the opportunity to participate in the national level conferences and discussions on various aspects of the co-operative movement and came into intimate association of national level co-operative leaders. With putting forth my viewpoint with logic, arguments and sincerity, I earned appreciation at the national level and I was recognized as a dedicated co-operator. I have adopted, thus, co-operation with emotion and feeling.

*What positions did you occupy at various levels? (village, district, state, national and international)*

I was elected as a member of the board of directors of the Shahpura village

\*Dr. R. C. Dwivedi is Consultant at ICA Regional Office in New Delhi.

level marketing co-operative society. Subsequently, I became a member of the State Co-operative Marketing Federation. I was also the general secretary of Rajasthan State Co-operative Union and subsequently its chairperson. I was a member of the governing council and executive committee of the National Co-operative Union of India for several years. I was also the chairperson of the women's committee of NCUI. I was nominated by the NCUI on the ICA Women's Committee.

*What has been your outstanding contribution to the co-operative movement?*

I had greatly and constantly emphasized and pleaded for the development of co-operative marketing and co-operative distributive trade. I firmly believe that if producers and consumers are protected against exploitation by the middlemen, that would go a long way in achieving the objectives of the co-operative movement and would establish the validity of the co-operative system. I consider this as the basic essence of the co-operative movement in principle and also in reality. The present economic system exposes the producers as well as the consumers to exploitation because they are ignorant of the methods of self-protection in the prevailing situation. The co-operative approach is the right and the most potential system which can ensure a fair price for the producers and also for the consumers. What is needed is administrative support from the government and adequate finances to the producers. If marketing and distribution are co-operativ-

ized, the exploitation of the producers and consumers would be eliminated and I have always tried to strengthen these two aspects of the co-operative movement.

*What, in your view, are the main obstructions against women's participation in the co-operative movement?*

I personally feel that there are no legal or cultural obstacles in the way of women's participation in the co-operative movement. I know there are many women who are involved in the co-operative activities throughout the country and they occupy positions in their own right. There are vast opportunities for the women in political, social, cultural and economic fields to participate and co-operation is one such field. However, there are certain functional difficulties which, at times, discourage ladies, such as there are no adequate arrangements for financial assistance, technical training and marketing of the finished products. There is no administrative structure within the government to look after the organizational work of women's co-operatives. Women stand in the queue for financial assistance etc. to avail of the normal channels. That is why they find it difficult to involve themselves in the co-operative movement.

*What steps are necessary to remove the above obstacles?*

In my opinion, there should be a separate wing in the office of the Co-operative Union and the Registrar of Co-operative Societies, with a senior officer and a team of supervisors to look



after this work. They should undertake a survey of the various economic activities in which women are involved in a particular area and take necessary steps to organize their own co-operative societies. They should also arrange for finances, technical know-how, machinery, market intelligence, etc. They should ensure that the quality of the goods produced is such that they find a ready market, without depending upon the government. This is very essential.

*What, in your opinion, are the areas or activities in which there could be greater involvement of women, - consumer, artisan, agriculture, etc?*

I would first prefer consumer co-operatives for women because the ladies know what the kitchen needs, both in terms of quality, quantity and variety of food items. I understand, in Japan and other countries, consumer co-operatives are successful because of the involvement of women as one of the important factors.

The second preference is the organization of women's co-operatives in the field of agriculture. Here I would emphasize, more primarily, the organization of dairy co-operatives because most of the work of looking after the cattle, e.g., feeding them, milking them, their maintenance, etc., is done by the womenfolk in the villages. Therefore, it would be more easy and in line with the existing situation to organize women's dairy co-operatives. This will give them ready money and develop their interest in this activity and a source of increasing their income.

The third field is the construction labour co-operative societies. In my own state of Rajasthan, there are hundreds of thousands of women who are engaged in construction activities, in mines, etc. They are being exploited by the contractors. Co-operatives for these women will improve their working conditions, providing better wages.

There is still another field where educated women can be involved and that is the organization of co-operative schools. At present children's schools have become a commercial proposition. Parents are exploited by way of charging high fees and a number of other payments. Co-operative schools can involve students, parents and teachers. This would eliminate, to a large extent, the exploitation of teachers and parents and would provide self-employment to educated women.

*Do you think there should be societies with exclusive women's membership?*

It would depend upon the local conditions. There should be no hard and fast rule about this. If the existing societies can meet the requirements of women workers, there would be no need of separate women's co-operatives. But if the situation warrants separate societies for women to ensure homogeneity of the group and organize appropriate production activity, it would be better to have separate women's co-operative societies. But, as I said earlier, they should be provided all assistance: financial, technical, educational and marketing.

*What measures and programmes should be undertaken by the existing co-operatives to motivate young girls to join the co-operative movement?*

Village service co-operative societies and marketing co-operatives have not undertaken the function of supplying household goods and commodities. They should assess the requirements of such goods and arrange for their local production, as far as possible, through co-operatives. Thus, a need-oriented movement will grow which will involve women in the production activities. The goods, which at present are being brought from the cities and towns, would be produced locally. There is also the possibility of organizing women's small-scale industrial co-operatives around the big industries, both in the public and private sectors, as ancillary units, to produce small parts, segments, etc. But due care should be taken to ensure that children of women members do not get neglected. They should also organize good creches for children of women members, preferably on a co-operative basis.

Women's industrial co-operatives may also be organized elsewhere. I visualize certain difficulties which I indicated earlier also. The biggest drawback is that the co-operative banks do not extend the needed co-operation. There is no arrangement for pledge-loans. Therefore, the producer is forced to sell his produce at whatever price is available to him/her in the market. It is absolutely essential that there should

be well-planned working co-ordination between banks and the producers' co-operatives. Unless this is done, I doubt if exploitation would be removed from the agricultural and industrial fields. Secondly, the machines which are needed by any industrial co-operatives are produced by the private industry. There is a chain of middlemen or commission agents between the manufacturers of machinery and the actual users thereof. Therefore, the price goes high as a result of middlemen's commission and profit. My suggestion is that the supply of machinery should be entrusted to co-operatives, by the manufacturers themselves, on a no profit-no loss basis. The present commercial and commission system is to the real disadvantage of both the producers and the consumers.

*Is it unusual in your movement for a woman to reach such high position as you have reached?*

I have already stated that in my country, in spite of the weak position of women, there are vast opportunities in the public field for women to come forward, work and provide leadership. Women have made outstanding contributions in all walks of national life. In co-operatives also, there are many women who have made their contributions and given leadership. It is true, of course, speaking frankly, that in spite of the fact that women come to public life with dedication, they have to struggle hard before they can rise to high positions. I think this is the normal "rule"!

*What is your national organization doing to promote the role of women?*

The National Co-operative Union of India is the national organization of co-operatives. It has constituted a women's committee. It has also two nominated women members on the governing council. It organizes conferences, seminars, workshops, etc. for women co-operators. It also deputed women co-operators to participate in international training courses. The NCUI has formulated special education programmes for women co-operators. There is a separate wing to look after women's co-operatives. I understand the Union has a few women's projects on a pilot basis to improve the living standards of women. The project is getting financial assistance from the Swedish Co-operative Movement. However, I feel, looking to the vastness of the problem, greater efforts are needed.

*Do you make use of your position in the Government to spread and strengthen co-operatives? If so, how?*

As I said earlier, I am attached emotionally to co-operation. Therefore, I always work for its promotion and strengthening. In the Government, when any policy is formulated, I press to involve co-operatives to the maximum extent possible. I also plead with my colleagues in the Government to provide all assistance to co-operatives and assign maximum work to them. As a co-operator in the

Government, I feel it is my duty and obligation to do so.

*Do you have any special message to convey to the ICA authorities regarding the need to further promote women into positions of leadership?*

I want to make two points: (i) that ICA should take steps so as to get an important place and role for the co-operative movement in the national economy of various countries including India, as co-operation is a vital instrument of socio-economic change. It should also be emphasized that the co-operatives should be helped financially, technically and administratively. It is necessary that the co-operative sector should develop managerial efficiency at least at par with the private sector and should have a planned approach, and (ii) that keeping in view the dedication with which the women work in the co-operative movement, all obstacles should be removed in whatever form they are present.

Concluding, I would like to say that co-operation is not merely an economic system. It is much beyond. It builds a society based on moral values, social cohesion and international fraternity. It is a practical philosophy and idealism. Therefore, it should not be given a departmental treatment. I am convinced that through co-operation we can make a nation strong and integrated. What is needed is strong political will, well-planned administrative support and financial resources.



## Book Reviews

### **Financial Management for Credit Union Managers and Directors**

by Jim Jerving

*Published by Kendall/Hunt Publishing Company, 2460 Kerper Boulevard, Dubuque,*

A credit union is a simple yet compelling organization. It is made up of people with a dream and often a small amount of money. By working together, they can improve themselves socially and economically.

The financial mechanics of credit are not complicated. A group of people join together to save money and make loans to one another at reasonable rates of interest. The difference between the interest charged on loans and paid on savings provides - after expenses - income for the credit union.

Uncomplicated it may be, the credit union that does not manage its funds wisely will not stay in business. The dream will remain a dream.

The past decade has shown that the credit unions around the world are facing an increasingly competitive and

complicated financial environment. Directors, as well as managers, need a basic understanding of the business side of the credit union. The very survival of the credit union is at stake.

**Financial management for Credit Union Managers and Directors** was written to help keep the credit union dream alive. It is the first credit union book of its type that was written for both the financial and non-financial person.

The 171-page book covers all of the important areas for managing the credit union's funds: financial statements, ratios, budgeting, capitalization, asset-liability management, risk management, cash and liquidity management as well as pricing and investments.

A glossary of key financial management words is given at the end of each

chapter along with a complete glossary at the end of the book. Both managers' and directors' financial management duties are given in each chapter.

Some 50 colleagues from the international credit union movement helped with research and editing. The book was written by Jim Jerving, editor for the World Council of Credit Unions.

He was also the author for **The Central Finance Facility: A Guide to Development and Operations**, Kendall/Hunt 1987.

Copies of **Financial Management for Credit Union Managers and Directors** can be ordered directly from the publisher. A discount of 10% is available for orders of 20 or more.

## Jawaharlal Nehru - His Vision of Co-operatives

By Dr. R.C. Dwivedi

*The Coop Times, New Delhi. Price US\$ 30*

1989, the year of ICA's first-ever Central Committee meeting in India, is also the centenary of the birth of Jawaharlal Nehru. India's first prime minister, this book reminds us, was not only the architect of his country but also an ardent champion of the co-operative movement.

Dr. Dwivedi, a long-time co-operative leader and writer, has drawn heavily upon the resources of the ICA Regional Office's library to produce the first book on Nehru's vision of co-operatives. The link between ICA and Nehru is a long-standing one. It was on the occasion of the opening of the ICA Regional Office in New Delhi in 1960 that the Prime Minister made his famous, and much-quoted, speech about his desire "to convulse India with the Co-operative Movement, or

rather with co-operation: to make it, broadly speaking, the basic activity of India....."

Under his leadership co-operation made great progress in India. Structures were created, such as the National Co-operative Development Corporation and the National Centre for Co-operative Education, which continue today to provide important financial and educational support to the movement.

Most important, in the author's view, was Nehru's awareness that government interference in co-operatives was an "embrace of death". He defended government financial support only in the early stages of co-operative development for, "if Government money comes, that money is followed by

Government officials". He attempted to discourage the practice of appointing public servants and politicians to important positions within the movement.

The Prime Minister was also an advocate of international co-operation. He welcomed and supported the opening of ICA's first regional office and training centre, the establishment of an important India presence from the Cooperative League of the USA, and the initiation of training links with the Moscow Co-operative Institute.

Nehru's support for co-operatives was based on many considerations. He saw them as a balance between the need for individual freedom and the danger of an acquisitive society. For a diverse and decentralised country the ability of co-operatives to provide social unity and national cohesion was another important feature. Above all, he saw in co-operation the best possible means for the Indian people them-

selves to participate in solving their many economic and social problems.

Unfortunately, according to the author, India's co-operatives have suffered serious set-backs in the post-Nehru period: "Generally speaking, they are co-operatives only in their legal form rather than in their functioning.....(Nehru's) concept of democratisation and de-officialisation of co-operatives could not be administratively assimilated and implemented....."

To revive Nehru's vision of co-operatives is therefore the challenge presented by the author to India's 150 million co-operative members. He offers several suggestions about needed changes in co-operative legislation, attitudes of government, education of youth, involvement of women, and planning.

"Co-operate or perish" was Nehru's message to India and the world.

Bruce Thordarson

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Peter's Principle Maps with ICA Statistical Information	5.00
ICA Rainbow flags (180 x 90cm)	50.00
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