

**ROLE OF GOVERNMENT
IN PROMOTING
COOPERATIVE DEVELOPMENT
IN ASIA**

R. C. DWIVEDI



International Cooperative Alliance
Regional Office for Asia
Bonow House, Friends Colony
New Delhi

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN ASIA

— **Report of the Asian
Regional Consultation
Singapore 1988**

Editor

Dr R.C. Dwivedi
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INTERNATIONAL COOPERATIVE ALLIANCE

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ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN ASIA

Editor
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FOREWORD

The ICA Regional Office for Asia organised a Regional Consultation on "Role of Government in Promoting Cooperative Development in Asia" in Singapore from 4th to 7th June, 1988. The Consultation was attended by Permanent Secretaries/Senior Officers responsible for Cooperative Development, Cooperative Leaders, Chief Executives of National Cooperative Organisations, U.N. Agencies like FAO, ILO, etc. This Consultation was held under the development programme of the ICA, keeping in view the ICA Policy for Cooperative Development of building democratic and economically viable cooperative organisations which are capable of serving their members efficiently, influencing cooperative laws and government cooperative policies to promote genuine cooperative development based on Cooperative Principles, and developing well coordinated and integrated cooperative structure in order to enhance economic capacity of the cooperative movements.

This publication is a compilation of the background papers and the conclusions of the Consultation. Dr. R.C. Dwivedi, who was engaged as a Consultant for the above Consultation, has edited this publication. He has taken great pains in revising and updating the background papers in consultation with the participants and the authors of the background papers for the Consultation. It contains valuable information and background, growth and present situation of the cooperative movements in various countries of the region. This has been prepared specially keeping in view the forthcoming Conference of Ministers Incharge of Cooperatives planned by ICAROA and I hope that it would serve as a very useful background material not only for the planned Ministerial Conference but also to all of us who are concerned with the development and working of cooperatives.

G.K. Sharma
Regional Director
ICA Regional Office for Asia.

ACRONYMS

AAC	Australian Association of Cooperatives
AARRO	Afro-Asian Rural Reconstruction Organisation
ACCI	Agricultural Credit and Cooperatives Institute
ACDI	Agricultural Cooperative Development Institute
ACFT	Agricultural Cooperative Federation of Thailand
ANGKASA	National Cooperative Organisation of Malaysia
APSO	Agency for Personnel Services Overseas
BAAC	Bank for Agriculture and Agricultural Cooperatives
BACOD	Bureau of Agricultural Cooperatives Development
BANGKOOP	National Association of Cooperative Rural Banks
BARD	The Bangladesh Academy for Rural Development
BCOD	Bureau of Cooperative Development
BFAR	Bureau of Fisheries and Aquatic Resources
BJSU	Bangladesh Jatiya Samabaya Union
BOI	Board of Investment
BRDB	Bangladesh Rural Development Board
BSBL	Bangladesh Samabaya Bank Limited
BSS	Bangladesh Samabaya Samiti
CAD	Cooperative Auditing Department
CALF	Comprehensive Agricultural Loan Fund
CAP & S	Cooperative Agricultural Production and Sales
CB	Central Bank of the Philippines
CCF	Central Cooperative Fund
CCF	Christian Children Fund
CCM	Cooperative College of Malaysia
CCMPS	Central Cooperative Multi-purpose Society

CDA	Cooperative Development Authority
CDD	Cooperative Development Department
CDEM	College of Development Economics and Management
CDF	Cooperative Development Foundation
CDLF	Cooperative Development Loan Fund
CEBEMO	Centrale Voor Bemiddling bij Medefinanciering van Ontwikkelingsprogramma
CFPI	Cooperative Foundation of the Philippines
CIDA	Canadian International Development Agency
CIRDAP	Centre for Integrated Rural Development for Asia and the Pacific
CISP	Cooperative Insurance System of the Philippines
CLT	Cooperative League of Thailand
CMP	Cooperative Marketing Project
CMPP	Cooperative Member Participation Programme
COMELEC	Committee on Elections on Societies
CPD	Cooperative Promotion Department
CRAFICARD	Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development
CRS	Catholic Relief Services
CUP	Cooperative Union of the Philippines, Inc.
CWE	Cooperative Wholesale Establishment
CWS	Cooperative Wholesale Society
DANIDA	Danish International Development Agency
DAR	Department of Agrarian Reform
DCU	Development Coordination Unit
DLGCD	Department of Local Government and Community Development
DOTC	Department of Transportation and Communication
DPRK	Democratic Peoples' Republic of Korea
EEC	European Economic Community
FACET	Fund for Assistance to Cooperative Education and Training.

FACOMAS	Farmers' Cooperative Marketing Associations
FDA	Fisheries Development Authority
FECOPHIL	Federation of Electric Cooperatives of Philippines
FELDA	Federal Land Development Authority
FELCRA	Federal Land Rehabilitation Authority
FOA	Farmers Organization Authority
F.R. Germany	Federal Republic of Germany
GDP	Gross Domestic Product
HYV	High Yielding Variety
ICA	International Cooperative Alliance
ICA ROA	International Cooperative Alliance — Regional Office for Asia
IDACA	Institute for the Development of Agricultural Cooperation in Asia
IFFCO	Indian Farmers Fertilizer Cooperative
ILO	International Labour Organisation
INCAS	Integrated National Cooperative Audit System
IPPF	International Planned Parenthood Fund
IRDP	Intensive Rural Development Programme
JICA	Japan International Cooperation Agency
KRIBHCO	Krishak Bharati Cooperative
KSS	Krishi Samabaya Samiti
KUDS	Koperasi Unit Desa
LAMPS	Large Sized Multi-purpose Societies
LDC	Less Developed Countries
LGRD	Ministry of Local Government, Rural Development and Cooperatives
LWF	Lutheran World Federation
LCA/DWME	Lutheran Church in America — Division for World Mission and Encumenism
MAF	Ministry of Agriculture & Forestry
MP	Member of Parliament
MPCS	Multi - Purpose Cooperative Societies

MS	Malaysian Dollar
MSS	Mahila Samabaya Samiti
MTAP	Management and Training Assistance Programme
MTPDP	Medium Term Philippines Development Plan
NACTI	National Agricultural Cooperative Training Institute
NACF	National Agricultural Cooperative Federation
NAFED	National Agricultural Cooperative Marketing Federation of India
NATCCO	National Confederation of Cooperatives, Inc.
NCCT	National Council for Cooperative Training
NCC	National College of Cooperatives
NCCS	National Cooperative Council of Sri Lanka
NCDC	National Cooperative Development Corporation
NCRUCI	National Capital Region Union of Cooperatives Inc.
NDDB	National Dairy Development Board
NES	National Electrification Administration
NEDA	National Economic and Development Authority
NFS	National Fertilizer Study
NGOs	Non-Governmental Organizations
NSW	New South Wales
NWFP	North West Frontier Province
ODA	Overseas Development Administration
OTC	Office of Transportation Cooperatives
PFCCI	Philippine Federation of Credit Cooperatives Inc.
PVOs	Peoples Voluntary Organisations
RCS	Registrar of Cooperative Societies
RDA	Rural Development Agency
RISDA	Rubber Institute Research Development Authority
SAARC	South Asian Association for Regional Cooperation
SCC	Swedish Cooperative Centre
SCCP	Supreme Cooperative Council of Philippines
SCDIP	Sugar Cooperatives Development Institute of the Philippines

SIDA	Swedish International Development Authority
SN	Samahang Nayon (Village Associations)
SNCF	Singapore National Cooperative Federation Ltd
SRA	Sugar Regulatory Administration
TCCS	Thrift & Credit Cooperative Societies
TCDC	Technical Cooperation Among Developing Countries
TGA	Triennial General Assembly
UGFC	United Ghana Farmers Council
UGFCC	United Ghana Farmers Cooperative Council
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WCC	World Council of Churches

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PAPERS FROM REPRESENTATIVES OF INTERNATIONAL ORGANISATIONS

ILO	MAHMOOD ALI KHAN
AARRO	B.C. GANGOPADHYAY & T.R. PURI
ICA	J.M. RANA

**LIST OF DELEGATES
QUESTIONNAIRE**

CONCLUSIONS

CONCLUSIONS

1. The Consultation arrived at the following conclusions :—

PRESENTATION OF COUNTRY SITUATIONS

2. The Consultation took note of the existing roles of government in promoting cooperative development in the different countries of the region as presented by the participants.

COOPERATIVE LEGISLATION AND DEVELOPMENT

3. The Consultation reviewed the role of cooperative legislation in the organisation and working of cooperatives and expressed a need for making it development-oriented; and suggested that a broad frame-work of cooperative legislation which could serve as guidelines to the movements and governments be prepared by the ICA ROA.

3.1 The Consultation suggested that the ICA ROA should undertake a study of cooperative laws in the region in order to recommend deletion of restrictive provisions and addition of new provisions needed for facilitating cooperative development.

4. The Consultation suggested that cooperative legislation be simple and written in such language as would be understandable to ordinary persons; and that cooperative legislation which at present is generally more regulatory in character be so revised as to make it an effective instrument for cooperative development. It should not include matters which properly come under regulations, bylaws and the development plans and programmes.

5. The Consultation also suggested that the following Principles of Cooperation as adopted by the ICA Congress in 1966 be incorporated in the cooperative laws of those countries where it has not yet been done.¹

1. Report of the ICA Commission on Cooperative Principles, p.37, Report of the 23rd Congress of the International Cooperative Alliance, p.183.

- (1) "Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
- (2) Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decision affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
- (3) Share capital should only receive a strictly limited rate of interest, if any.
- (4) Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of other. This may be done by decision of the members as follows:
 - (a) By provision for development of the business of the cooperative,
 - (b) By provision of common services, or
 - (c) By distribution among the members in proportion to their transactions with the society.
- (5) All cooperative societies should make provision for the education of their members, officers and employees and of the general public, in the principle and techniques of Co-operation, both economic and democratic.
- (6) "All cooperative organisations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels."

6. The Consultation suggested that the definition of the term "cooperative" be included in the cooperative laws and noted the following definition as incorporated in the ICA Rules and Standing Orders.²

2. ICA Rules and Standing Orders, as amended by the 28th International Cooperative Congress at Hamburg, October 1984, Article 8, p.3.

"Any association of persons, or of societies, shall be recognised as a cooperative society provided that it has for its object the economic and social betterment of its members by means of the exploitation of an enterprise based upon mutual aid, and that it conforms to the Cooperative Principles, as established by the Rochdale Pioneers and as reformulated by the 23rd Congress of the ICA".

7. The Consultation took note of the fact that the Philippine Movement has suggested a legal definition for inclusion in their cooperative law and suggested that this definition be circulated when incorporated in the cooperative law.

8. The Consultation suggested that the Principles of Cooperation be reflected in various provisions of the cooperative law and that the cooperative law should facilitate the operationalisation of the Cooperative Principles. Cooperative laws should also facilitate promotion of the cooperative system.

APPLICATION OF COOPERATIVE PRINCIPLES

9. It was expressed that cooperatives are not only economic institutions but they have a strong philosophical base and social purpose. The aim of the Cooperative Movement is greater than merely satisfying the common economic needs of the members. The following reference to the Report of the Commission on Cooperative Principles, supports this view.³

"The common element at all times has been that Cooperation at its best aims at something beyond promotion of the interests of the individual members who compose a cooperative at any time. Its object is rather to promote the progress and welfare of humanity. It is this aim that makes a cooperative society something different from an ordinary economic enterprise and justifies its being tested, not simply from the standpoint of its contribution to the moral and social values which elevate human life above the merely material and animal."

10. It was emphasised that the cooperative organisations should be strong, effective organisations, professionally managed so that they are able to render efficient services to the members and community at large.

3. Report of the ICA Commission on Cooperative Principles, 1967, p. 9.

COOPERATIVE POLICY & GOVERNMENT'S PROMOTIONAL, TECHNICAL FINANCIAL SUPPORT

11. The Consultation noted that the governments and the Cooperative Movements have common objectives of improving the socio-economic conditions of the people and national development. They should support each other to achieve these common objectives on the basis of mutual trust, confidence, respect and social justice.

12. Cooperatives by their nature are autonomous institutions. The government should play the role of a facilitator through policy initiatives and should nurse and nurture them to play their full role as people's organisations. Giving and receiving of assistance—financial, managerial or otherwise—itself is not infringement of autonomy provided it is done on mutually agreed terms.

13. It was suggested that keeping the above principles in view, the government should provide the following support to the Cooperative Movement:

- incorporation of the role and importance of cooperatives in the Constitutions of the respective countries;
- formulation of national policy in consultation with cooperatives;
- creation/building of environment for cooperatives to play their full role;
- extending support in building a self-reliant strong cooperative sector to supplement the public and private sectors;
- enactment of progressive cooperative law in conformity with Cooperative Principles;
- taking steps for de-officialisation and de-politicisation of cooperatives;
- assisting cooperatives to generate and build their resources;
- assisting cooperatives to build their professional management personnel;
- transfer of functions of audit, inspection, supervision and responsibility for elections etc. to cooperatives;
- promotion of cooperative values/spirit;

- encouraging development of dedicated cooperative leadership from within the Movement and giving public recognition to distinguished/dedicated cooperators by conferring appropriate national distinctions and awards for their contributions towards cooperative development;
- strengthening of cooperatives as a system establishing integrated inter-cooperative linkages;
- promotion of democratic participation of members in decision-making;
- supporting cooperative education and training;
- supporting the involvement of cooperatives in community development;
- providing or arranging financial assistance to cooperatives in the form of soft loans/guarantees, grants and subsidies, and tax exemptions etc. in manner as would not infringe upon the autonomy of cooperatives. Financial aid to cooperatives should be given to the maximum possible extent indirectly and through their federal institutions so as to prevent formation of pseudo cooperatives and abuses;
- regarding cooperatives 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 weightage to their view;
- involving cooperatives 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 of directors/office-bearers should be brought to book. In the event of inevitability of removal of board, the management should be entrusted to the concerned federal organisation;
- encouraging and assisting cooperatives to develop their own key/top management personnel instead of seconding government officers;
- introducing curricula on Cooperation in general education courses in schools, colleges and universities; and

— ensuring that competition between the public sector and cooperative enterprises is avoided. The working of public sector enterprises should be such as would strengthen the cooperatives.

14. In some countries governments have set up Cooperative Development Corporations to have more flexibility in assisting cooperative development. Other countries may also study the working of these Corporations to assess desirability of establishing similar institutions in their countries. However, care should be taken that these Corporations do not duplicate the functions of the national cooperative organisations.

15. The Consultation was of the opinion that the main strength of the Cooperative Movement lies in the membership who have the right and the duty to elect competent people to board of directors. In view of this the Consultation suggested that it was essential that a massive programme of education of members and their elected leaders should be carried out by Cooperative Movements and governments should render needed assistance for the purpose.

16. The Consultation was of the opinion that an important requirement for building facilitating environment was change in the attitude of government personnel. The Consultation felt that it was necessary to develop positive attitudes and skills in government personnel to support cooperatives. It was, therefore, essential that adequate programmes of training of government personnel in cooperative concepts, principles, implementation of cooperative law and cooperative operations should be established.

17. The Consultation was of the view that there is also need for orientation programmes for top level policy makers to keep them aware of the changing environment and the needs of Cooperative Movement.

18. The Consultation suggested that a Conference of the Ministers in charge of cooperative development and national level cooperative leaders of the region be convened in early 1989 and the results of the Consultation be placed before them for their consideration.

19. The Consultation welcomed the offer of the representative

of the Movement in Australia to host the proposed Minister's Conference and suggested that the ICA ROA to pursue this matter with the Australian Association of Cooperatives and the Government of Australia. The Consultation also appreciated the invitation extended by the Government of Indonesia to hold the Ministerial Conference in Indonesia.

ROLE OF NATIONAL ORGANISATIONS

20. The Consultation felt that the national cooperative organisations have important role in strengthening the relationship between the government and cooperatives and also ensuring the development of genuine cooperatives. The Consultation suggested the following role for national cooperative organisations.

- to evolve continuing dialogue between cooperatives and the government;
- to strengthen training and education of employees, members and leaders of primaries;
- to represent problems of primaries to the government;
- to involve intelligentsia in the process of cooperative development;
- to undertake supervision and auditing and provide guidance to the members;
- to develop innovative approaches to face new socio-economic challenges;
- to organise orientation programmes for policy-makers and senior government officers;
- to promote inter-cooperative trade within the country and at international level;
- to project the achievements of cooperatives;
- to develop strong links, unity and integration among the cooperatives both vertically and horizontally for building an effective performance-oriented cooperative system;
- to formulate and adopt a code of conduct for the office-bearers/board of directors to prevent the misuse of cooperatives;
- to enhance and monitor from time to time the share of cooperatives in various sectors of the national economy;

- to develop effective and adequate arrangements for conducting on-going research in various aspects of the cooperatives including government/cooperatives relationship.

ROLE OF INTERNATIONAL ORGANISATIONS

21. A panel discussion was held on the Role of International Organisations in the promotion of cooperative development. The members of the panel were:

- i. Mr. S.S. Puri, Assistant Director-General and FAO Regional Representative for Asia and Pacific.
- ii. Dr. M.A. Khan, Regional Adviser on Cooperatives and Rural Institutions, ILO.
- iii. Mr. B.C. Gangopadhyay, Secretary General, AARRO.
- iv. Mr. G.K. Sharma, Regional Director, ICA ROA.
- v. Mr. Bernt Adelstal, Programme Officer, Swedish Cooperative Centre (SCC)
- vi. Mr. Ron G. Gollehon, President, Agricultural Cooperative Development International (ACDI).

22. Each of the members made a brief presentation of the work carried out by their respective organisations in the field of cooperative development. There was a lively exchange of views between the panel members and the participants. The following paragraphs give a gist of this discussion.

23. The panel members were in agreement that in the present situation of Asian region, government assistance in the promotion of cooperative development was essential.

24. Appreciating the initiative taken by the ICA, the representatives of AARRO, FAO and ILO assured of their support to the activities of the ICA particularly in respect of its Project on Role of Government in Promotion of Cooperative Development and in the fields of exchange of information and experience, development of research, and international training facilities.

25. The Consultation felt the need of an arrangement at the international level, among representatives of governments and Cooperative Movements, and international agencies interested in

cooperative development, for dialogue and discussions on matters pertaining to cooperative policies and development.

26. Mr. B.C. Gangopadhyay, Secretary-General, AARRO, interalia, endorsed the need of an international forum on permanent basis and stated that AARRO would extend its support to ICA efforts. He, however, felt that FAO possibly may consider to initially service such forum. Appreciating the training programmes of IDACA, which are being availed of by the African countries as well, he suggested that international organisations should encourage training institutes like The Institute for the Development of Agricultural Cooperation in Asia (IDACA)

27. Dr. M.A. Khan, Regional Adviser on Cooperatives and Rural Institutions, ILO, suggested that the Consultation should work out realistic programmes to strengthen international collaboration and government-cooperative relationship. He affirmed ILO support to ICA in formulating such programmes.

28. Mr. S.S. Puri, Assistant Director-General of FAO offered that in case the Consultation agrees for the creation of a Regional Network for Development of Agricultural Cooperatives and Policy Formulation, FAO would be happy to service it by providing office and secretarial facilities, while the ICA may provide technical input. The broad framework of the proposed Network could be as under:

I. Objectives

- (i) to sensitize governments for the need to recognise potential of cooperatives role in various sectors;
- (ii) to provide forum for exchange of information;
- (iii) to promote TCDC; and
- (iv) to demonstrate and disseminate success stories in regard to innovative interaction between governments and cooperatives.

II. Membership

- (i) Government Departments/Bureaus for Cooperatives at national level;
- (ii) National Cooperative Organisations; and

- (iii) National level organisations concerned with cooperative development.

III. Secretariat

- (i) FAO Regional Office would provide office accommodation, logistics support; and
- (ii) FAO Regional Cooperation Officer to act as secretariat.

IV. Obligations of member institutions

- (i) to provide information on the status of national cooperative situation; and
- (ii) to attend meetings of Network as far as possible, at their own expense.

29. The Consultation appreciated the offer of the FAO and suggested that the FAO and ICA may work out details of setting up a Network. The above proposals should be placed for consideration at the Regional Conference of Ministers in charge of Cooperation proposed to be held in early 1989.

30. Mr. Bernt Adelstal, representative of the SCC, emphasised the need for building up management efficiency for effective cooperative performance and indicated that this is an area in which SCC would be willing to assist.

31. Mr. Ron G. Gollehon, President ACDI indicated that his organisation would be willing to assist in the areas of food marketing, processing and distribution in which it has capabilities.

32. The Consultation suggested that the ICA ROA may periodically convene on regular basis meetings of top level policy makers in the government and cooperative leaders.

33. The Consultation suggested that the ICA ROA, interalia, should undertake the following activities :-

- i. Conduct studies on impact of cooperatives on economic development, production and pricing;
- ii. Carry out a yearly review of cooperative developments in the Asian region for information of and use by the Movements and the governments;

- iii. expand its cooperative development programme with the assistance of donor agencies. Concerned Ministries of the governments and national level Cooperative Movements should be fully kept informed about such programmes; and
- iv. formulate and carry out "Exposure Programmes" for the cooperative policy makers in the governments of countries of the region to acquaint them with the developments and working of cooperatives.

ACKNOWLEDGEMENTS

34. The Chairman of the Regional Council expressed his thanks to the representatives of governments, Regional Councillors, Executives of Member Organisations and Consultants for sparing their valuable time and their contributions for making the Consultation to achieve its objectives. He also expressed his high appreciation to the Singapore National Cooperative Federation and its Chairman, Mr. Eric Cheong, for their excellent hosting facilities and hospitality during the Consultation. The Chairman also expressed his high appreciation for the regional paper prepared by the Regional Consultant and his contribution to the discussions.

35. The Regional Director in his closing remarks assured that necessary follow-up action would be taken by the ICA and expressed the hope that the required follow-up action will be taken by the governments and the Cooperative Movements in the Region.

OPENING SESSION

Welcome Address

Mr G.K. SHARMA, Regional Director, International Cooperative Alliance, Regional Office for Asia (ICA ROA)

1. It is a matter of great privilege and pleasure for me to extend a hearty welcome to the distinguished delegates in this Regional Consultation on "the Role of Government in Promoting Cooperative Development in Asia" in this beautiful city of Singapore. I would seek your apology for keeping this meeting during the week end. This is primarily for the reason that we had our Regional Council Meeting yesterday and day before and we wanted some of our Regional Councillors also to attend this meeting and that is why we are starting this meeting today.

2. I would like to mention that it is not for the first time that such a high level meeting is being convened by the ICA Regional Office. We had first similar meeting in 1963-64 called Top Level Cooperative Leaders Conference followed by meetings in 1973 and 1983 in which Cooperative Ministers and senior officials were also invited along with cooperative leaders. However, during sixties and seventies the Cooperative Movement was in the initial stage of development. Since then the Movement has grown manifold and along with it have developed complex issues also. Therefore, we are having first time this meeting in the form of a high level consultation followed by the Cooperative Ministers Conference possibly in the first quarter of 1989.

3. The government-cooperative relationship is increasingly becoming a subject of international significance and discussions, the reason being that the governments, particularly in the developing countries, have been playing an important role in the cooperative development. It is because of this importance that the Secretary-General of United Nations will be addressing the 29th ICA Cooperative Congress for the first time in Stockholm next month. We in ICA, therefore, felt that at this stage of development it has become imperative to review the role of the governments vis-a-vis cooperatives so as to make efforts to streamline this

relationship, with the objective that alongwith quantitative development of cooperatives, their basic values and cooperative character also develop.

4. The ICA, being an international organisation of cooperatives, is vitally interested in the subject. In this context, I would like to refer to the ICA's official policy for cooperative development as approved by the ICA Central Committee in 1982, in pursuance of a request by the 27th Congress at Moscow in 1980 that the ICA formulate a policy to assist cooperative development efforts in the third world.

5. According to this official policy, ICA has three basic objectives in its support to cooperative development:

"1. The establishment and growth of independent democratic and viable cooperative organisations...capable of serving their members efficiently and contributing economic growth and social equity..."

"2. Strengthening collaboration between cooperative organisations of various types and in different countries, thereby promoting the growth of international solidarity, which is the foundation of a constructive peace."

"3. To influence public opinion, national authorities and international organisations in order to stimulate the growth of a favourable atmosphere for cooperation, promoting the enactment of appropriate cooperative legislation and enlist the support of governments and international organisations for the development of cooperative movement."

6. In pursuance of the above policy decision, the ICA Regional Office for Asia has taken the initiative to study the role of governments in various countries of this region.

7. The objective of the present Consultation is to review the existing role of governments in cooperative development and to suggest measures for the development of cooperatives on sound lines, so that they play an effective role in socio-economic development. As mentioned earlier the recommendations of this consultation will be placed before the Conference of Ministers in charge of Cooperation in various countries, which will follow this Consultation.

8. I would further like to mention that before starting this project, we had discussed it with international agencies like FAO, ILO and AARRO and all of them showed their keen interest and support to this initiative. In fact Mr. S.S. Puri, ADG, FAO for Asia and Pacific Region is with us and will also be addressing the Consultation tomorrow. From ILO we have Mr. M.A. Khan, the Regional Advisor on Cooperatives and Rural Institutions and from AARRO its Secretary-General, Mr. Gangopadhyay. They will be attending the meeting during the whole period. We are grateful for their support and cooperation.

9. Here, I would like to mention that this project has been possible due to the support and encouragement from the Swedish Cooperative Centre (SCC) who have provided the financial support and their representative Mr. B. Adelstal will be with us throughout the Consultation. We are also very happy to have amongst us Mr. Krishannikov, Chief of the International Department. of CENTROSOYUS, who came to attend our Regional Council Meeting and will be with us throughout the Consultation.

10. At the end, I would like to thank our member organisation, the Singapore National Cooperative Federation (SNCF) who very kindly agreed to host the meeting and making excellent arrangements. I once again wish you very pleasant, comfortable and fruitful stay.

Fraternal Greetings

Mr. S.S. PURI, FAO Regional Representative for Asia and the Pacific, Bangkok

Mr Eric Cheong, Chairman of the Singapore National Cooperative Federation; Mr S. Lozada, Chairman of the ICA Regional Council for Asia; Mr G.K. Sharma, Regional Director of ICA Regional Office for Asia, distinguished cooperators, ladies and gentlemen:

1. May I first of all convey to you, Mr Chairman and to all the other participants the greetings of the FAO, as conveyed by the Director General of the FAO, Mr Edourd Souma, who has specifically asked me to address the Consultation, which I intend to do tomorrow:

2. I do not, at this stage, propose to make any elaborate remarks as there are a large number of speakers for this morning's session. I would only say that we in the FAO are very happy to associate ourselves with this Consultation because in our view this marks a fairly purposeful departure from the rather sterile relationship which had developed between the ICA and the governments of the region in regard to cooperative development. Mr G.K. Sharma, Regional Director, had earlier mentioned that in the past there have been a number of high level meetings but my understanding is that in these meetings the focus of discussion was on how to keep the government away at an arm's length from cooperative development. But this time the title is positive one, how to identify what is an appropriate role of government in promoting cooperative development.

3. Historically, the Cooperative Movement in the western world, when it started, did not face very congenial governments in many countries. In many countries the attitude of governments either was that of indifference or that of wilful antagonism. In fact there is a very interesting case on record. Somewhere in the middle of the 20s the Swiss Cooperative Movement had issued a circular inviting the young students in schools to participate in an essay competition on the benefits of cooperatives. The Education Ministry of Switzerland, when they learnt about

it, issued a circular to all schools saying that any school which allows its students to participate in the essay competition will face withdrawal of its recognition and the grant-in-aid will be discontinued. Therefore, in those days the cooperative leaders almost, as a matter of necessity, had to adopt a policy of self-reliance. That particular matter was a really matter of necessity which was made into a virtue and that became the standard of relationship between the cooperatives and the government.

4. Various private sector associations like the Federations of Chambers and Industry etc., whenever they meet, invite the Prime Minister or heads of Ministries and present them with a long charter of their demands on the government. The private companies never looked upon or made any effort on their part to keep the government at an arms length. They have sought the active assistance and collaboration of the government. The amount of under-writing which the government organisation do in regard to equity-capital of private organisations is a well-known phenomenon.

5. Mr Chairman, may I say this without preempting my remarks for tomorrow that, we in the FAO, think that this is a very timely move on the part of the ICA to activate discussions on the whole question of "what is a positive relationship between government and the cooperatives and what kinds of assistance and in what forms government should play a role in promoting cooperative development". It is a welcome one. I do hope therefore that this Consultation will lead to a very positive development, both for the Cooperative Movement as well as cooperative officials.

6. We have always heard of phrases like Women in Development etc. This is the first time that we are talking of government in cooperative development. In modern state there is an all pervasive phenomenon. There is no way we can have the process of development devoid of government. And therefore any attempt like 'touch-me-not' attitude on the part of the Cooperative Movement is not useful in the short-run, certainly not in the long-run.

I thank the ICA for convening this Consultation. We would be happy to contribute towards the thinking in this Consultation.

Thanking you.

DR. M.A. KHAN, ILO Regional Adviser on Cooperatives and Rural Institutions, ILO Regional Office for Asia and Pacific, Bangkok

Mr Chairman, distinguished delegates, fellow cooperators and gentlemen:

1. On behalf of the ILO, I wish to thank the ICA and its Regional Director for the kind invitation. ILO Director, Dr Von Minolt and Chief of Coop Branch, Mr M.A. Helbongo, would have very much wished to participate but both have been constrained on account of the International Labour Conference Annual Session in Geneva.

2. I have therefore been asked to represent the ILO in this meeting. I have great pleasure in stating that ILO attaches great importance to your deliberations on such a vital subject and looks forward to the conclusions that your deliberations will result into. This Regional Consultation on the Role of Government in Promoting Cooperative Development is very timely. I would, therefore, like to congratulate Mr G.K. Sharma, ICA Regional Director, for this initiative. ILO has also been working on this theme for the last many years under a project called "Cooperative Training Policy and Standards".

3. I believe that this meeting is certainly a step forward to recognise the proper role of a government and accordingly adopt measures for the independence, development and growth of the Cooperative Movement. International standards do provide a guidance on this issue, such as the ILO Recommendation No. 127 and the Covenants of the United Nations. However, there is a wide difference between practice among the countries and the international standards. The background papers of the ICA bear testimony to this fact. This is the need that we meet to consider and ponder.

4. This meeting has gathered many stalwarts from the Cooperative Movements and the governments. Looking around I find many familiar faces and many of these have been responsible and are responsible today to shape the destinies of the Cooperative

Movements in their respective countries. Surely with such a galaxy of talent and wisdom this meeting should come to useful suggestions. For all this, I congratulate the ICA once more. I assure the wholehearted cooperation of the ILO and the ILO's collaboration to the ICA and the countries in the follow-up of the conclusions that may be reached at this Consultation.

Thank You.

MR B.C. GANGOPADHYAYA, Secretary-General, Afro-Asian Reconstruction Organisation (AARRO).

Mr Chairman. Mr Lozada, Mr Sharma, distinguished delegates ladies and gentlemen:

1. At the outset I must thank the ICA authorities for giving me this opportunity of addressing this inaugural session. I represent the Afro-Asian Rural Reconstruction Organisation which is an inter-country government organisation comprising mostly the country-governments in Asia and Africa and our main objective is in the field of promotion of rural development. Cooperation features as an important aspect of the activities of our organisation. We have been in touch with the ICA Regional Office in New Delhi for a long time and the ICA ROA has been in collaboration with us in organising various conferences in the past and I am glad that our collaboration is continuing in the present also.

2. I am glad to say that this Regional Consultation is a very timely one and the subject is a very important and relevant one, particularly for the developing countries of Asia and even Africa. I am particularly glad that the subject chosen relates to the role of government in the field of cooperative development, because, as you will know gradually during the discussions, that the subject does not call for a uniform solution of the problem. In fact the history of cooperative development in developing countries will give an idea of what role the government has played in the past and what role should be played in the future. The days of complete 'hands-off' policy are gone. But the discussion should show whether the policy should be to completely hands-off or benevolent guidance or the government should actively making themselves interested in the cooperative development in these countries which are developing economies. I should say without preempting the discussions that would come up in the next few days, that in the field of Cooperation, which started for the benefit of its members and later developed into an integral part of the overall development of the economies of developing countries, the role of government cannot be

under-rated. Therefore, I am sure, in the next few days, there will be discussions on all the aspects of the cooperative development, particularly throwing light on what should be done in the developing countries of the world.

3. I am interested in both Asia and Africa. We have got the experiences in the past and we have got the situation at present. Therefore it will be possible for us to see what recommendations should come up not only in this Regional Consultation but also when it is integrated with the future Consultations to be organised by the ICA.

4. I am glad that the ICA has given us this opportunity of being a part of this Consultation and I am happy to be attending this Regional Consultation for the next few days. AARRO has offered its cooperation fully to the ICA in this respect. I am sure that the collaboration will go on effectively in the future also. I am thankful to the authorities of the ICA for giving me this opportunity of addressing this inaugural session and I am looking forward especially to the exchange of ideas in next few days. Thank you very much.

MR. BERNT ADELSTAL, Representative of Swedish Cooperative Centre.(SCC) Stockholm

Mr Cheong our host in Singapore, Mr Lozada, Chairman of ICA Regional Council, Mr Sharma, Regional Director of ICA Regional Office of Asia, dear friends and cooperators,

1. Firstly, I would like to thank ICA for allowing me this opportunity to address the delegates to the Regional Consultation on Role of Government in Promoting Cooperative Development.

2. I would like to pass on to you warm greetings from SCC Chairman, Mr Marcus and his Board and from the secretariat and its Acting Director, Mr Fogelstrom, together with well wishes for successful consultation.

3. In connection with the opening of the 20th Regional Council a couple of days ago I started my remarks by quoting the aim of SCC. I would like to take this opportunity to read out the main aim of SCC again:

“to contribute towards positive change of the living conditions of the poorer sectors of the people in developing countries by supporting the activities of co-operative organisations working for economic and social development and independence, while emphasising popular participation and control within the principles of democracy.”

4. Let me repeat the last words:

“while emphasising popular participation and control within the principles of democracy.”

5. Due to unclear language, uncertainties as to the basic cooperative ideology and its practices, ambitious expectations on what cooperatives really can do, many countries have cooperatives

— not only identified by the government;

- not only initiated by the government;
 - not only developed by the government;
 - not only regulated by the government;
- but also run by the government.

6. Let me remind you on what Mr. Genberg said in his remarks in September last year at the Regional Council Meeting in Delhi:

- 1) **On cooperative law:** the laws in many countries seem to be instruments of control rather than instruments for development.
- 2) **On cooperative policy/strategy:** there seems to be a lack of distinct policy/strategies on cooperative development, caused by the fact that the policies/strategies have been worked out by governments *without* participation by the cooperative members and their institutions.
- 3) **Cooperatives as government tool:** due to the governments heavy hand on cooperatives, the cooperative organisations are looked upon as government agents, resulting in poor and passive participation by the members.
- 4) **Cooperatives as the only remedy to economic development of poor people:** cooperatives are to be based on a sound ideology and basic business-principle. Cost exceeding revenue gives a loss whether a private, state or cooperative enterprise. Without surplus (i.e. creating financial resources) it is not possible to carry out the social and economic development tasks to reach the goals of self-sustenance and independence.
- 5) **Cooperatives' dependence on financial assistance/funding, grants and loans:** if this financial assistance is needed, is the viability of the cooperative enterprise there at all? If not, should it have been started at all?

7. It has been particularly relevant to mention these issues with the launching of the 3-year programme of "Role of Government in Promoting Cooperative Development in Asia" which is the subject to these Consultations.

8. SCC welcomes this project in line with ICA's new policy and

strategy. SCC have since long been aware of the problems of the ambivalent relations between governments and Cooperative Movements resulting in the emphasis on two concepts in our collaboration with Cooperative Movements:

1. Movement to Movement cooperation (a direct link between the member organisations) (on a national or regional levels) of SCC and the collaborating cooperative organisations.

2. Active participation by members in the planning, implementation and control of their societies by launching a programme called (CMPP).

9. Both issues will be discussed at the ICA Congress in the Development Forum.

10. Let me finish off by wishing you good luck in your deliberations saying a prayer for cooperative development in general and for the Consultation in particular:

God, give us

the *serenity* to accept what we cannot change

courage to change what we can change

and *wisdom* always to tell difference.

Thank you, Mr Chairman.

MR. A. KRESHENINNIKOV, Member, Board and Chief, International Department of Centrosoyus, USSR

Distinguished Mr Chairman, dear friends and fellow cooperators

1. First of all I would like to express my gratitude to the host organisation, the Singapore National Cooperative Federation and the Regional Office of the ICA, who invited us to attend such an important and interesting event. The question of role of government in the promotion of cooperative development is such a crucial item that all of us are interested to know more about the experiences of other countries. The Cooperative Movement has been rapidly developing in the world and especially in the Asian region. According to statistics, the world Cooperative Movement numbers about 700 million members and out of that figure more than 500 million members are the members of the ICA. Of course not all the Cooperative Movements make equal contribution towards the social and economic development of their own countries. We can also say that all the governments do not make equal contributions towards development of their Cooperative Movements. There are quite a number of governments that promote Cooperative Movements very actively. There are governments which take indifferent attitudes towards the Cooperative Movement and we can also say that some governments take a stand which is contrary to the interests of the cooperatives.

2. That is why to identify the proper policy of the cooperative behaviour and the government behaviour is the question of vital interest. So we know that this issue is very crucial. If we take the example of the Soviet Union, after the October Revolution in 1917, amongst the first decrees of the new Soviet government that were enacted was the decree on Cooperatives, on Consumer Cooperatives. That new decree regulated the relations between the cooperatives and the State giving the cooperative sector very beneficial conditions for development. At that time already we realised that the cooperatives can function productively only

with the help and assistance from the government. A few days ago, an important event in the cooperative life of the Soviet Union happened. That was the enactment of the First Cooperative Law in the Soviet Union. The Cooperative Law for the first time stated that the cooperative sector has equal rights with the government sector. Unfortunately in our past we had some government theoreticians and cooperative theoreticians as well, who considered the cooperative sector as a secondary sector, an unimportant sector which will fade away very soon. Now fortunately we got away from those theories and the Law ensures that the Cooperative Movement will develop successfully.

3. We are very satisfied that the ICA and its Regional Office has taken the initiative to discuss such an important issue. I want to remind you that last year Moscow was the venue of a similar seminar organised jointly by the Centrosoyus and the United Nations under the same title with the participation of the ICA, United Nations, FAO, ILO and some other organisations. The final document adopted there is under translation and printing and it will be ready soon. Unfortunately it could not be circulated here. But as soon as it is printed, we will make sure that each and every one of the participants here will receive a copy of it afterwards.

4. We would like to wish all the participants very fruitful and successful deliberations. We would like to wish your Movements further development and success in an era of peace, progress and prosperity.

5. I thank the ICA for convening this Consultation. We would be happy to contribute forwards the thinking in this Consultation.

Thanking you.

Presidential Address

Gen. ARCADIA S LOZADA Chairman, ICA Regional Council for Asia

Your Excellencies, distinguished guests, fellow delegates, regional and country consultants, friends, ladies and gentlemen

1. It is indeed my distinct honour and pleasure to give you my warm welcome and fraternal greetings on behalf of the ICA Regional Council for Asia to which I was elected Chairman only yesterday for a 4-year term.

2. The ICA which was established in 1895 has now 500 million constituency from seventy four (74) countries throughout the world, 330 millions of which come from Asia. The largest membership of the ICA are from India with 147 millions, followed by China with 130 and Japan with 18 millions.

3. The holding of the Regional Conference on the Role of Government in Promoting Cooperative Development in Asia is undoubtedly relevant, timely and historic. It is in compliance with the development policy of the ICA Central Committee for the ICA Regional Councils covering the following elements:

- (1) the building of democratic and economically viable cooperative organisations which are capable of serving members efficiently;
- (2) influencing cooperative laws and government policies to promote genuine cooperative development based on cooperative principles;
- (3) developing well coordinated and integrated cooperative structures in order to enhance economic capacity of the Cooperative Movements; and
- (4) promoting regional collaboration for the exchange of information, technical know-how and innovations and for increased international cooperative trade.

* Presently, President, Cooperative Union of the Philippines and Chairman, Supreme Cooperative Council of the Philippines

4. The ICA Regional Office for Asia had done an excellent job in the preparation for this regional conference in collaboration with the FAO, ILO, AARRO and the Regional and Country Consultants. The ICA Regional Consultant who has done the professional job in putting this project into shape is no other than Dr Dwivedi who was my classmate in the University of Marburg and the Reiffeisen Cooperative Institute in West Germany in 1968 under the Friedrich Ebert Stiftung travel grant.

5. Incidentally, this Regional Conference is one of the many substantial achievements of the ROA for the past two or three years. The close and symbiotic relationship between and among the Regional Council, the Regional Office, the Cooperative Development Unit, the specialised sub-committees, the project advisers and the responsiveness of the member Cooperative Movements in the region have contributed immensely to these unprecedented accomplishments. Commendation, therefore, is in order for Mr Sharma, the Regional Director, Mr Rana, Deputy Regional Director and Head of the DCU, Messrs Sten Dahl, MK Puri, Bruce Gunn, Madane, Herath and their staff. As you know, the ROA staff has been reduced from 22 to 7 and there was an impression from some people that perhaps the ROA can do more if there is further reduction of the ROA staff. This is only a passing comment, a credit to ROA's efficiency as according to Henry Fould, the famous English author said that "as we advance in life we know the limits of our capabilities".

6. Now, in discussing the role of government in promoting cooperative development in Asia, it is wise and prudent for us to return and to rationalise the basics and fundamentals of Cooperation as envisioned by the cooperative pioneers. These pioneers had developed certain precepts, principles and practices that gave due recognition to define the true nature and character of a cooperative.

7. This leads us to the question, what is really the true nature or character of a cooperative? To my understanding in my 31 years of involvement in the promotion and development of cooperatives and the Cooperative Movement as a volunteer, the true nature and character of a cooperative can be deduced from the definition of a cooperative that it is an organisation of a group of people with a common bond of interest whose principal purpose is to achieve social and economic benefits through

savings of cost of goods, service and credit using the economics of scale. That it is all of the following:—

- (1) It is democratic;
- (2) It is open and voluntary;
- (3) It is autonomous and independent;
- (4) It is self-reliant;
- (5) It is organised according to the felt-needs of the members and is responsive to their ideals and problems;
- (6) It is participatory and dynamic which is better developed from the bottom up approach and through continuous training and education;
- (7) It is self-regulating;
- (8) It is for service;
- (9) It is an instrument for social justice and economic development;
- (10) It enhances human dignity and self-respect;
- (11) It is non-sectarian and non-partisan;
- (12) It promotes unity, peace and progress of people of all races;
- (13) Its ultimate aim is better understanding and brotherhood of mankind;

8. Partnership between the private cooperative sector and the government in cooperative development can undoubtedly bring about the desired results in achieving the goals of Cooperation as embodied in the true nature and character of a cooperative. This Regional Consultation is indeed a golden opportunity for us to discuss the role of government as well as the role of the Cooperative Movement in the promotion of cooperative development in Asia.

9. May I, therefore, express a fervent hope for the success of this undertaking to help bring about unity, peace, progress, better understanding and human brotherhood through the cooperative way and may I express many thanks and appreciation to our host, the Singapore National Cooperative Federation under the able leadership of Mr Eric Cheong and his colleagues as

well as to all of you fellow delegates and guests for attending this historic Regional Consultation. This is another milestone in our cooperative efforts in the region.

Thank you.

Opening Address

Mr ERIC CHEONG, MP for Tao Payoh and Chairman, Singapore National Cooperative Federation, (SNCF)

1. As cooperators, we realise that cooperatives are a people's movement. They must be supported by the people, because after all cooperatives are developed by the people and for the people. As the people elect the government, the Cooperative Movement surely wants very much to enjoy the blessing and support of the government which represents the people.

2. Cooperatives, therefore, exist and are developed further through diversification of their activities especially to meet the social and economic needs of the people.

3. At this juncture I share the view of Mr Zulkifli Mohamed, the guest-of-honour for the Regional Council meeting, who in his opening address mentioned that in western industrialised countries, cooperatives not only helped to overcome exploitation, but have successfully emerged to become an integral part of the national economy distinct from the private and public sectors. The role of government in promoting cooperative development in this case is confined mainly to regulatory matters. Generally as the case is in Singapore the government is contented not to interfere with the daily operations of the cooperatives; the less the involvement, the better. The Cooperative Movement in this case really enjoys the independence in managing their cooperatives themselves and in their own way—practising the cooperative principle of self-help for the mutual benefit of all the members.

4. However, you may be aware that this independence or autonomy in the promotion as well as in the operation of cooperatives may not be generally applicable. This means that government involvement is greater in the management or control of the cooperatives. This does indicate that cooperatives have become dependent on government support, especially *fiscal* or financial support, that, if I may borrow the words of the Regional

Consultant, Dr R.C. Dwivedi, the relationship between them has become (within quotes) "self-contradictory". The government role as such to the Cooperative Movement, is, to quote him again, "both encouraging and irritating."

5. In such a circumstance, we fully understand the situation for the Movement. It needs financial assistance to run the cooperatives activities. It needs government cooperation. Government, on the other hand, has as much responsibility as the Movement. It is also the custodian of public funds. Government, too, must ensure that its funds given to the Movement must be properly accounted for. Hence, government involvement understandably becomes greater as more money is generated in the Movement.

6. The main task of this ICA Regional Consultation is, I believe, fundamentally to come to a consensus on "The Role of Government in Promoting Cooperative Development in Asia".

7. The fact that ICA is represented by 172 national cooperative organisations from 69 countries is evident that many governments have recognised cooperatives as useful instruments of economic and social development.

8. Let us at this Consultation also see how best we can re-examine the Role of Cooperatives in Promoting Economic and Social Development before we determine the Role of Government in Promoting Cooperative Development in Asia.

9. I feel that it is essential that we create the right atmosphere for cooperatives to be self-reliant.

10. Let us explore ways to build a stronger and more self-reliant Cooperative Movement whereby it will not have to depend too much on government support as it obviously has affected the autonomous position of the Movements in some countries.

11. There must be sound leadership. Cooperative education and training must be so organised as to stimulate interest and motivate members to bring about sustained progress for the Movement. self-renewal should be advocated to make it possible for successive echelons of leaders to be trained and prepared to assume leadership when required.

12. I must reiterate at this point that by being less dependent and more self-reliant, the Cooperative Movement is definitely not attempting in anyway to keep the government at a distance.

13. For as long as cooperatives exist, we will always need the moral support of government. Government's role will effectively be advisory and regulatory in the promotion and operation of coopeatives which must adapt to national situations to maximise effectiveness and socio-economic contributions to members and society at large.

14. It is agreed that while governments must have built-in safe-guards in the legislation, they must be consciously clear that laws which are too restrictive would inevitably stifle the initiatives of cooperatives. Cooperative laws should be encouraging and positive to bring about progress and to avoid creating inertia.

15. In conclusion, I wish to stress that governments should endeavour to create a conducive environment for the development of a strong Co-operative Movement.

16. I have now the pleasure to declare open this ICA Regional Consultation on the "Role of Government in Promoting Cooperative Development in Asia". I wish you success in your 4-days deliberations and a most pleasant stay in Singapore.

REGIONAL PAPER

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN ASIA ¹

R.C. DWIVEDI*

1. PREAMBLE

1.1 Governments in Asian countries have been playing an important role in the development of cooperatives and their working. This role has been varied and changing depending on the stage of cooperative development. This role could be direct, indirect, positive, neutral or negative. Direct in the sense, that government may formulate and design definite policies and programmes for the cooperatives and assist their development financially, technically and in other ways. It may become even partner in cooperatives. The government's indirect role may be by way of encouraging formation of cooperatives, without involving itself, through various policies favourable to cooperatives. The role may be positive i.e. encouraging peoples' initiative and building an environment for the growth of genuine cooperatives. It may be negative and inhibiting i.e. limiting peoples' role and discouraging organisation of cooperatives. The governments may also remain neutral leaving cooperatives to have their own course. What role a government would play depends upon the value it attaches to cooperatives and how it assesses its potentialities and appreciates its basic ingredients.

1.2 Government's influence over the cooperatives is as old as the Cooperation itself. It is only the nature, extent and methods that differed from time to time and country to country. History contains a good deal of evidence to this effect. As early as in

* Regional Consultant to the ICA Regional Consultation on the Role of Government in Promoting Cooperative Development in Asia and formerly Chief Executive, National Cooperative Union of India, New Delhi.

1. The Regional Paper has been revised on the basis of information received further at the Regional Consultation held at Singapore on 4-7 June 1988.

1910 the 8th International Cooperative Congress had adopted the following resolution: "The 8th International Cooperative Congress expresses its regret that certain restrictive fiscal laws existed in certain countries which hinder and paralyse the development of cooperative distributive societies. It records its hope that those laws will be repealed". References to governments role had also been made at various other ICA Congresses.

1.3 In the anxiety to accelerate the process of economic development, the government actively involved themselves in developing cooperatives. In some countries of Asia, the relationship between the government and the cooperatives has become self-contradictory. It is both encouraging and irritating, essential and controversial, promising and obsessing. It is a relationship of carrot-and-the stick, help and mistrust. Consequently, at times, a situation of confrontation between the government and cooperatives also arises.

1.4 The essentiality or otherwise of governments' role in cooperative development, has of late, become an important topic for discussion. It is being discussed and debated at national and international levels. An U.N. seminar on the Role of Government in Promoting the Cooperative Movement was organised by the U.N. Vienna International Centre, at Moscow in May, 1987. A lot has been conceptualised, analysed and written by a cross section of people giving different observations and suggestions on the subject.² It is being increasingly felt that the role of government should be crystalised, so that it does not lead to distortions.

1.5 The ICA's main area of function is to make efforts for the promotion of Cooperative Movement all over the world. In the discharge of this vital obligation, the ICA has been organizing conferences and studies on specific subjects relating to government-movement relationship. The ICA Regional Office for Asia in New Delhi, for instance, had organized a conference of Cooperation Ministers in early 1960s at Tokyo, Japan. More recently a conference of Ministers in-charge of Cooperation was organized by the ICA's African office in Tanzania.

Object of Study

1.6 The ICA's current official policy for cooperative development

2. This needs to be properly documented.

was approved by the Central Committee in 1982, following a request by the 27th Congress in Moscow in 1980 that the ICA formulates a policy to assist cooperative development efforts in the Third World.

1.7 According to this official policy, ICA has three basic objectives in its support to cooperative development:

- (1) "The establishment and growth of independent democratic and viable cooperative organisations.....capable of serving their members efficiently and contributing economic growth and social equity.....".
- (2) "Strengthening collaboration between cooperative organisations of various types and in different countries, thereby promoting the growth of international solidarity, which is the foundation of a constructive peace".
- (3) "To influence public opinion, national authorities and international organisations in order to stimulate the growth of a favourable atmosphere for cooperation, promoting the enactment of appropriate Cooperative legislation and enlist the support of governments and international organisations for the development of cooperative movement".

1.8 In his report to the Central Committee in 1983, Yvon Daneau suggested that the basic of the ICA's development policy should include four lines of action:

To urge member organisations of ICA to become increasingly involved in international development and to obtain support of their national governments;

To support programmes conducted by ICA member organisations in such fields as planning, evaluation, and making recommendations to government bodies;

To identify the genuine needs of cooperative sectors in developing countries and to find possible sources of financing;
and

To plead the cause of authentic cooperative development with government authorities.

1.9 In pursuance of this policy decision, the ICA Regional Office for Asia, New Delhi, has taken the initiative of undertaking the

present study of existing situation in regard to "The Role of Government in Promoting Cooperative Development in Asia".

1.10 The object of this study is not to prepare a comprehensive treatise on the historical evolution of cooperatives in Asia. It is also not to examine government-cooperative relationship from the old theory "to keep the government away from cooperatives" The main aim is to estimate the impact of governments role on the physical and ideological growth of cooperatives in Asian countries.

Assumptions

1.11 The study is based on the following assumptions:

- Cooperatives have the potentialities to play an essential and important role in the economies and their development in the Asian countries.
- Governments have intention to develop cooperatives as people organisation.
- A harmonious relationship between the government and cooperatives is essentially needed for genuine growth and working of cooperatives, on the basic of mutual understanding.
- Peoples' initiative and democratic participation is possible along with government's role in and support to development of cooperatives.
- Given the opportunities and proper environment, people have the ability to manage the cooperatives on their own in accordance with cooperative principles.

The Concepts

1.12 *Development of cooperatives* means the development of cooperatives organized on the basis of people's felt needs, and functioning on the basis of cooperative principles.

1.13 *Cooperative Principles* means the body of time honoured principles recognized and accepted by the International Cooperative Alliance, the contents being (i) open and voluntary membership (ii) democratic control (iii) limited interest on share capital, if any (iv) equitable distribution of dividend, (v) cooperative education and (vi) cooperation among cooperatives.

1.14 *Law*: Law means the Cooperative Societies Laws/Acts in various countries, unless otherwise stated in this study.

Parameters of Study

1.15 The study has confined its scope to the present relationship between the governments and cooperatives as revealed in government policies, cooperative laws, plan documents etc. Historical aspects have been referred to only to establish link with the present role so as to envisage the future. Every issue has been viewed from the angle of government role. Review of departmental structure for cooperatives in government has been left out. Side issues, several of them, though important, have not been discussed.

Methodology

1.16 A questionnaire finalised by *ICA RO for Asia*, in consultation with some experts, was issued to identified national consultants in the member countries and to members of ICA in the Asian region to get information about each country.

1.17 Information available in the ICA Regional Office library and Documentation Centre has been availed of.

Limitations

1.18 The study of this nature and dimensions faces limitations of time and finances. Replies to questionnaire could not be received on time and no replies from several member organisation were received. Therefore, much reliance had to be placed on personal knowledge and library sources. No case studies were provided for in any country for a deeper insight into the subject. There are several inter-related and relevant issues and aspects, which would have made the study more comprehensive, also could not be studied.

1.19 I had to be very cautious in presenting the existing situation of government-cooperative relationship, so that no one feels offended. Keeping in view the nature and sensitivity of the subject, I hope the observations will be taken in right spirit.

Acknowledgements

1.20 I gratefully acknowledge the valuable assistance and guidance received from Mr. G.K. Sharma, Mr. J.M. Rana and Mr.

Sten Dahl, Regional Director, Deputy Regional Director and Head of Development Coordination Unit, and Cooperative Development Adviser, ICA ROA, respectively, the National Consultants, and Mr. B.D. Pandey, Librarian and Documentation Officer of the ICA ROA in the preparation of the regional paper. I sincerely thank them. I also place on record with appreciation the secretarial assistance received from Mr Sethumadhavan and Mr. Sushil Bhandari.

2. PRESENT SITUATION

Some Features of Asian Countries.

2.1 The Asian region consists of both industrialised and developing countries. Australia and Japan come under the former category, while Bangladesh, China, Republic of Korea, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka and Thailand come under the latter. Singapore has its own feature as being a highly commercialised country having total urban economy. The obvious characteristic of the economies of the developing Asian countries is the pre-dominance of agriculture, which provides employment to the large majority of the population and contributes substantially to the gross domestic product. The agricultural products also dominate the export trade of these countries. The agricultural holdings are small and fragmented with low productivity and prevalence of traditional methods of cultivation. With the increasing population, the pressure on land is very high. Modernisation of agriculture is being introduced. Most of these countries have increasing population, and problem of under-employment and unemployment. A sizeable section of their population lives below poverty line. There is lack of adequate infrastructure needed for rapid economic development. The situation of agriculture in the developed countries of the region is much different, and their economic problems are also different. The stages of economic development, peoples' cultural heritage, social customs and traditions differ from country to country. Though political patterns vary, the common feature is that all countries claim to have faith in democratic values.

Introduction of Cooperation

2.2 Cooperation was *introduced by the governments* in most countries of Asia during the first half of this century, through

the enactment of cooperative legislations although in some countries, the India, Indonesia, people have taken initiative to organise self-hop institutions without formally registering these need the law. *Japan* was the first to enact the law in the year 1900, when credit cooperatives, purchasing cooperatives, marketing cooperatives and utilisation cooperatives were established on sound legal foundation. Japan's farm economy was at that time drawn into a market economy. The farmers were poverty stricken. To ameliorate the growing unrest in the rural sector, the government introduced a series of agricultural protective policies that were more comprehensive than in the past. It was against this background that the cooperative laws were enacted. *In India*, the first cooperative legislation was passed in the year 1904, in a situation of miseries of the peasantry. The farmers were chronically indebted to the money-lenders. The situation was the same *in Bangladesh and Pakistan*. They also had the first legislation in 1904. *In Philippines*, the law was enacted in 1906, against the background of sufferings of agriculturists, with a view to establishing agricultural credit cooperatives and marketing cooperatives. *In Sri Lanka*, the first cooperative law was enacted in the year 1911 to alleviate the problem of rural indebtedness. The pioneering work was done by government officials and the cooperatives progressed more or less as an appendage of the government. *In Indonesia*, the first law was introduced in 1915 although efforts were initiated by the people themselves towards organising cooperatives with the purpose of providing credit to the farmers. *In Thailand*, the first law was enacted in 1916 to organize Raiffeisan model of cooperatives to provide credit facilities to the farmers and promote thrift among them. *In Malaysia*, the first law was passed in 1922, as a means of tackling the wide spread indebtedness of farmers and workers including civil servants. *Singapore* introduced the cooperatives by passing the first cooperative societies ordinance for the Striats Settlement in the year 1924. It was introduced at a time when money-lending was a roaring business. Wage-earners in the middle and lower income groups could hardly make the two ends meet because of poor wages and the high cost of living. These workers had none else to bank upon except the unscrupulous money-lenders who charged exhorbitant interest rates. In Republic of Korea, the government enacted and promulgated the Agricultural Cooperative Law in 1961, the Fisheries Cooperative Law in 1962, the Credit Union Law in 1972 and the Livestock Cooperative Law in 1980.

Introduction of Cooperatives

2.3 In most Asian countries the colonial governments, had considered cooperatives as a suitable agency to provide credit to the farming community. Because of the common problem of agricultural indebtedness, and absence of institutional financing of agriculturist, agricultural credit cooperatives were pioneered by the governments in Asia, unlike the European countries where non-credit activities became more prominent in the Cooperative Movement. There was growing unrest among the indebted farmers and landless labour. It was politically essential to take steps to convince the people that the governments were aware of the problem and were in search of its solution. The reasons for sponsoring credit cooperatives thus were both economic and political. The success of Cooperation in Europe in the field of agricultural and non-agricultural fields was well demonstrated, which could be adopted elsewhere. This was one of the factors which led to the introduction of cooperatives in the Asian countries.

2.4 The cooperatives in all the Asian countries have a federal structure. *Japan and Korea have only vertical federations*, whereas in *other countries*, alongwith the vertical federations, there have also been established *horizontal federations* at the national level, designated as national cooperative unions, councils, league etc in order to coordinate the Cooperative Movement as a whole. The concept of horizontal organisation seems to have spread to other countries, through India, from the British Cooperative Movement, which had set up the British Cooperative Union. At the village level, "one village one society" was the organisational pattern initially, for promoting thrift and providing credit.

2.5 The present trend in all the countries of the region, is to set up multi-purpose cooperatives covering wider area so that different needs of villages may be met by one and the same organisation and the primary cooperatives could become viable. The viability norms differ from country to country. Japan has strongest multi-purpose cooperatives in the region. In most of the developing countries, primaries, inspite of their diversified activities, continue to be economically operationally and organisationally weak. In several countries of Asia cooperatives are entering new fields such as dairy, poultry, fishery, forestry, transport, electrification, production of agricultural inputs, distribution of consumer goods, industrial production etc. India has a most

diversified cooperative sector. In addition to economic activities, cooperatives are also taking up social services like health, education and family planning. Greater emphasis is being placed on the role of cooperatives in improving the socio-economic conditions of weaker sections in all the developing countries. In Philippines, there are private cooperatives which means that such cooperatives do not avail of any financial assistance from the government and therefore, they are independent in their functioning, and government aided cooperatives in which the government may intervene. In Malaysia, there are Farmers organisations, registered under Farmers Organisation Authority, which are akin to cooperatives but not exactly cooperatives.

Governments Faith in Cooperatives

2.6 It can be observed that all governments in the region have faith in the potentialities of cooperatives as a means and instrument of socio-economic change and development and upliftment of the weaker sections of the community, which has been expressed and recorded variously in different documents. *Article 120 of the Constitution of the Republic of Korea provides for the encouragement of self-help organisations.* Para two of this Article stipulates that organisation founded on the spirit of self-help among farmers, fishermen and business men engaged in small and medium industry shall be encouraged. Article 124 Clause 1 declares that. "The nation shall set up such plans needed for rural development based on self-reliance among farmers and devise the balanced community development". The same Article also says in Clause 3 that "The nation should promote the farmers self-help organisation with the guarantee to be neutral against any political affiliation". *The first Five Year Plan (1951-1956) of India* stated "as it is the purpose of the plan to change the economy of the country from an individualistic to social and cooperative basis, its success would be judged among other things, by the extent to which it is implemented through cooperative organisation". The Third Five Year Plan (1961-1966) laid emphasis on diversification of cooperative activities, stating "a rapidly growing cooperative sector with special emphasis on the needs of the peasant, the workers and the consumers becomes a vital factor for social stability for expansion of employment opportunities and for rapid economic development". Each successive Plan stressed the expansion and diversification of cooperatives in different fields of socio-economic

activities. *In Malaysia*, it is recognized by the government that cooperatives can assist the people to upgrade their living standards and pool their limited resources together for this purpose. In implementing the New Economic Policy declared by the government in 1970, which aimed at eradicating poverty and restructuring the society, the Cooperative Movement was singled out as one of the important tools that could assist the government in achieving these two objectives. The Fourth National Development Plan (1981-1985) states that "The cooperative movement provides an important vehicle for the promotion of economic activities, mobilisation of capital and the acquisition of property. The participation of target groups such as small farmers and fishermen into farmers and fishermen's cooperatives will be intensified during the Fourth Malaysian Plan through the provision of infrastructure, working capital and management training. Small and inefficient cooperatives will be amalgamated into larger and more viable cooperatives". The Government of *Thailand*, declared in the Parliament in 1983, that farmers institutions particularly cooperatives shall be supported.....". *In Indonesia*, the Constitution itself provides for encouragement of cooperatives. Under the second Five Year Plan (1974-1979) KUDS were seen as having social as well as economic objectives and making a contribution to the achievement of government programme in such areas as health, family planning and education. The medium term *Philippine Development Plan 1987-1992* records that "in line with the decentralised thrust of the Government, the critical role of farmers organisation such as cooperatives shall be emphasised". One of the objectives of the programme is "to attend to the development of agrarian reform beneficiaries' human resources, encourage all forms of farm cooperation and promote the improvement of conditions among rural families through their independent organisation". The plan stressed much reliance on agricultural and electric cooperatives.

Government Objectives of Development of Cooperatives

2.7 As stated earlier, in Asia, present form of cooperatives had been sponsored by the governments. However, there has been a marked difference in the government objectives of the development of cooperatives. *To begin with, cooperatives were just a relief measure* to provide at low rate of interest credit to the farmers, who were chronically indebted and were being exploited by the money-lenders and traders. *With political awakening and*

welfare governments coming in, the concept of cooperatives took a different connotation and contents. It was visualised in a much wider perspective as instrument of planning, agent of socio-economic transformation, method of enlisting peoples' participation in the economic development, and so on. Good deal of evidence is available to establish this shift. The present government objectives of cooperative development have been identified in different countries as follows:

- development of a distinct sector of economy to balance the public and private sectors (Bangladesh, Korea, India, Indonesia)
- develop a self-reliant and decentralised economic system (Bangladesh, India, Indonesia, Japan, Malaysia)
- increase agricultural production and promote rural development (Bangladesh, India, Indonesia, Japan, Korea, Malaysia, Philippines, Sri Lanka, Thailand)
- diversification of cooperatives to cover various economic activities and social services (Bangladesh, India, Indonesia, Malaysia, Thailand)
- ensure equitable distribution of essential/scarce commodities (India, Indonesia, Sri Lanka)
- ensure equitable distribution of national income (Indonesia)
- generate self-employment (Bangladesh, India, Indonesia, Malaysia, Thailand)
- increase agricultural production efficiency and improve farm management (India, Japan)
- develop members resources (India, Indonesia)
- get better prices and non-price services (India and Indonesia)
- career planning for management (Indonesia)
- Provide financial assistance (India, Malaysia)
- minimise the role of private middlemen (India, Malaysia)
- develop self-reliance among people (India, Japan, Malaysia, Thailand)
- bring about economic democracy and social justice (India, Thailand)
- promote quality of life, especially among the poor (Bangladesh, India, Thailand)

- encourage integration among various races and to promote racial harmony (Malaysia)
- establishment of cooperative commonwealth (India)
- build an instrument of economic planning (India, Malaysia, Philippines, Thailand)
- development of an organisational agency to implement government policies (India, Japan, Malaysia, Thailand)
- enlist people's participation (Bangladesh, India, Indonesia, Japan, Malaysia, Thailand)
- facilitate development of democratic government (India, Thailand)
- develop a self-reliant and independent Cooperative Movement making it a united, strong and viable economic system; (Singapore)
- build a strong apex cooperative organisation, capable of providing centralised services to cooperative societies and assuming a greater role in cooperative promotion, development and supervision (Singapore).
- organise, on a largescale, cooperatives in all sectors of economy, to strengthen and develop them so as to strongly bring together the economic development of socialism and futher successful acceleration of development of socialism and communism (Democratic People's Republic of Korea)

2.8 The above mentioned objects establish that the cooperatives are being visualised for several purposes by the governments, depending upon national objectives, priorities, stage of economic development and social structure etc. Thus there is a departure from conventional object of promoting the economic interests of members. The cooperatives also involve governments' interest as an agency to achieve certain government objectives which are not always necessarily in cooperatives' own interest.

2.9 A question may be raised whether government should undertake development of cooperatives as mentioned above and if so what should be its objective. Broadly it is suggested that the chief object should be to arouse the interest of the people in cooperatives, cooperative philosophy and ideals and to use

the Cooperative Movements as means to raise their material and moral conditions, so that ultimately a cooperative economic system gets strong roots. If this object is worked for and achieved, the short-term object will be achieved as a matter of normal course.

2.10 The reason for the shift in the government object from simple credit relief to covering total socio-economic activities may be attributed mainly to political changes that occurred in the middle of this century, that is, transfer of power by the colonial rule to the national governments, in most countries. The change over to independent governments per se changed the objects and outlook of the governments. The most urgent aim and task of the national governments was economic development and social transformation, so as to meet peoples' aspirations, improve the living standards. No government, howsoever, powerful and strong, can perform this task with a measure of success, without the involvement of peoples themselves and without mobilising peoples initiative, efforts and resources. Cooperatives were visualised as potential institutions to meet this agency requirement of governments in all the countries. Cooperatives were to be built up as an alternate agency on which governments could rely in a situation of expediency and administrative exigencies. The other factors were exposure of political leaders and others to countries where cooperatives have gained noticeable success. Inflow of literature on cooperatives added to the knowledge about the potentialities of cooperatives. Positive and recommendatory resolutions of U.N. General Assembly and other U.N. bodies, like ILO, on cooperative development, further drew the attention of the governments to support organisation and development of cooperatives. The ILO recommendation of 1966 most comprehensively laid down the nature and pattern of governments' role in promoting cooperative development.⁴

Objectives of Cooperatives

2.11 There has also been a change in the objectives of cooperatives. During the first half of the present century their main object was to disburse credit to farmer members and promote thrift. In the present context the cooperatives have much wider socio-economic goals. Their functions are not confined to members alone. They are *Community-oriented*. Precisely, the objectives of

4. The text of Recommendation is given in Annexe-1.

cooperatives have been visualised in different countries as:

- strengthening the structure and efficiency of cooperatives (India, Thailand)
- develop a strong cooperative sector in the economy (India, Thailand)
- increase income and well-being of members (Thailand)
- protect members interest (Japan)
- objectives that are set up by members (Philippines)
- serve better the needs and business activities of the members (Indonesia)
- giving profit optimal as need for capital accumulation and the welfare of the members (Indonesia)
- develop peoples' participation in the economic institutions for wider coverage and business power so as to effectuate the implementation of the economic democracy in the country (Indonesia).
- to increase the agricultural productivity and to enhance the economic and social status of member-farmers (Korea)
- instil sense of self-reliance and mutuality, equality and social justice (Thailand)
- promote quality of life of members (Thailand)
- improve socio-economic standard of living and comfortable living in society (Japan, Korea)
- upgrade the socio-economic status of the economically weaker sections of the society (Malaysia, India).
- reinforcement of economic ties between urban and rural areas and raising the standard of living of the members of the cooperatives by increasing commodity circulation (Democratic People's Republic of Korea).

2.12 Thus, theoretically, there is no conflict, direct or remote between the objects of Governments and those of cooperatives. Both have common goals. It is significant that all the Governments in the region are *committed to establish welfare states* which characteristically means, establishment of social and economic justice, equality of opportunity, freedom of earning livelihood by

legitimate means, non-exploitation, a minimum standard of living of the people etc. The cooperatives also aim to achieve these very ideals. In India and some other countries, State policy aims at establishing socialism, democracy and secularism. Cooperatives are nearest to this State object. However, it is in the process of implementation that the objects of Government and cooperatives objects may sometimes conflict.

Status of Cooperatives

2.13 Constitutional Status: The association of government with the cooperatives has given a distinct status to them. In some countries they occupy a Constitutional position. For instance, in Bangladesh, cooperatives have been recognised in its Constitution as the third sector side by side with public and private sectors of the economy. The clause 67 of the Constitution of *Thailand* states that "The State shall encourage farmers to organize a cooperative or other form of organisations". The 1986 Constitution of *Philippines* recognizes cooperatives in various provisions thereof. The main provision is contained in Article 12 Section 15 which states "The Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development". The Constitution of Democratic People's Republic of Korea lays down: "18 The means of production in the Democratic People's Republic of Korea is the property of the state and cooperative organisations." "20....." The government legally protects the property of cooperative organisations." In some countries, the provisions in their Constitutions implicitly advocate for cooperatives. For instance, the Article 122 Clause 1 of the Constitution of *the Rep. of Korea* lays down that "The Nation shall set up such plans needed for rural development based on self-reliance organisation with a guarantee to be neutral against any political affiliation". The article 33 of 1945 Constitution of *Indonesia* stipulate that "The economy shall be organized as a common endeavour based upon the democratic principles of familyhood". The Directive Principles enshrined in the *Indian* Constitution prefer promotion of village and cottage industries on individual or cooperative basis.

2.14. The incorporation of cooperatives in the Constitution of a country has significant implications. This in itself becomes a political commitment of the government to encourage and promote cooperatives. It gives sanctity to the concept and thereby

encourages the people to work for its development. *It would be appropriate if all the governments in the region, supporting the development of cooperatives, provide specific place to cooperatives in the respective Constitutions.* It will not be out of the place to mention that Constitutions of some Western countries also provide for the promotion of cooperatives as basic agency for socio-economic development.

2.15 Administrative Status: A significant consequence of governments assuming the responsibility of developing cooperatives is that the latter have acquired an administrative status in the government framework. In all the countries of the region, there is a Minister responsible for cooperatives. In most cases it is a part of Agricultural portfolio. In Japan consumer cooperatives are under the Minister of Welfare, whereas agricultural, fisheries and forest cooperatives are under Ministry of Agriculture and Forestry. Small and Medium Enterprises Cooperatives are under the Ministry of International Trade and Industry. At national level in India, subject of Cooperation is with the Minister of Agriculture, while consumer cooperatives are with the Minister of Food and Civil Supplies and other Cooperatives with the respective concerned Ministries. In States, in India, each state has a separate Minister in charge of cooperatives. In Republic of Korea the Minister of Agriculture and Fisheries and Livestock is responsible for supervising the agricultural and fisheries cooperatives as well as supporting the various activities. The Agricultural Cooperative Law of Republic of Korea declares that "The Cooperatives and Federation shall be supervised by the Minister of Agriculture and Fisheries. Competent Minister for credit union is Minister of Finance. In Thailand, Minister of Agriculture and Cooperatives, has the cooperative portfolio under which the cooperative promotion department and the department of cooperative auditing undertake the responsibility of promotion, supervision and control of cooperatives of all categories. In Malaysia, there is the Ministry of National and Rural development which is incharge of cooperative development. In Sri Lanka, a separate Ministry of Cooperation was created in 1986. Earlier its placement was with different Ministries at different times. In Indonesia, there is a Ministry of Cooperatives which is responsible for the development of cooperatives. In Bangladesh, subject of cooperatives is with the Minister of Local Government, Rural Development and Cooperatives. In Singapore cooperatives are under Ministry of Community Development. Since the

economies of the Asian countries are agriculture-oriented placement of cooperatives with the Minister of Agriculture is considered more appropriate. Cooperation is a movement which is making inroads in all the fields of economic life of people. Hence, administrative pattern also changes from country to country and according to political considerations and decisions as to what should be the placement of cooperatives.

2.16 *Sectoral Status in National Economies:* As stated earlier, the Constitution of Bangladesh recognises cooperatives as third sector of economy. In India, cooperatives constitute the third important sector of economy, the other two being the public and the private sectors. The conceptual status to cooperative sector is laudable as it has been envisaged that the cooperative sector will be a vital balancing sector between the private and public sectors. Private sector is generally hostile to cooperatives, whereas public sector undertakings, set up in fields where cooperative have been organised, compete with them. Cooperatives are treated in Republic of Korea, Japan, Philippines, Thailand, Indonesia as part of private sector.

2.17 The private sector occupies better position in the Philippines. The plan document stated that "The private sector shall not only serve as the initiator but also as the prime mover of development. Specifically, the business sector, non-government organisations (NGOs) and private voluntary agencies shall take the lead in undertaking and sustaining programmes and projects aimed at improving the socio-economic situation.

2.18 "Non-government organisations can further play a key role in enhancing the relationship between the government and its citizens by encouraging people to take part in development programmes and by directing government support to the most needy to ensure effectiveness and impact.

2.19 "Participation shall be encouraged not only from traditional structures like private business and non-government organisations but also from genuine people's organisations at the grass roots level."

2.20 The Private sector enjoys a better status, obviously because it is well established and is able to exert greater pressure on the Government for getting a better deal. Practically in all the

countries, the private sector has much larger role and opportunities in the economy than the cooperative sector. The Governments provide facilities to the private sector which are at times comparatively better than given to cooperatives. In Malaysia, incentives to private sectors include tariffs, pioneer status, etc. The fifth Malaysia plan envisaged a greater role for the private sector. A policy of privatisation has been adopted. The reason for this is that the Malaysian people become over dependent upon government assistance and support. Hence, to develop self-reliance among the rural people, private sector is expected to provide leading role in this direction. In Thailand, cooperatives are regarded as business organisations in private sector except where they are considered different for certain purposes. In Japan pressure from private business sector against cooperative movement is increasing. It is an urgent task for the movement how to protect and maintain organisation and how to make the general public understand the value of cooperative system to increase its influence.

2.21 The status of cooperatives is not at par with the public sector, although it is assumed that cooperatives are superior to public sector in terms of their ideology, organisational structure and peoples involvement.

2.22 Public sector enterprises in Thailand are considered both income generating and public utility organisations, hence they enjoy more support and privileges than the cooperatives. Apart from the taxation and licensing fee which are exempted to public enterprise, they enjoy privileges of making purchases and sales contracts with government departments without going through bidding. In Malaysia, the public sector is given subsidies and staff.

Government-Cooperative Interaction

In order to formalise exchange of views on matters pertaining to cooperatives, governments in some countries have set up at their level bodies having representatives of government and movement. In Bangladesh, a National Council for Cooperatives has been set up headed by the country's President himself, with intellectuals, professionals, Members of Parliament, government officials' farmers representatives, cooperaters etc as members. In India a similar body has been constituted under the Chairmanship of Minister of Agriculture, who's also in-charge of Cooperation. However, their utility and effectiveness is yet to be established.

3. GOVERNMENT'S ROLE

3.1 In pursuance of the objectives of the government in developing cooperatives, the governments in the region have involved themselves deeply so as to accelerate the development and diversification of cooperatives. As an accepted policy, governments have assumed various roles and responsibilities towards cooperatives. Different strategies and methods have been evolved to support cooperative development. *(It would be useful to study these strategies and methods in depth so that their efficacy and impact may be assessed)*. The following are, inter alia, the main areas in which the governments have committed their role and assistance in various countries of the region :

- Enactment of legislation governing cooperatives
- formulation of policies relating to cooperatives
- planning for cooperatives, including determining priorities and fixing targets for achievement
- financial support
- promotion of education and training
- setting up joint ventures
- management and supervision
- standing guarantee for and on behalf of cooperatives

Enactment of Cooperative Laws

3.2 Governments in all the countries of Asia have enacted exclusive laws to govern cooperatives. In India and Australia, cooperation is a State or Provincial subject, therefore, each state/province has its own cooperative law. However, recently the Government of India enacted Multi-State Cooperative Societies Act 1984 to govern the cooperatives, the area of operation of which is more than one State, repealing the Multi-Unit Cooperative Societies Act of 1942. The state laws in India, have common framework and similarities with some differences. In Sri Lanka, under the recent administrative changes giving more autonomy to provinces, it has been decided to transfer cooperation to the provincial administration. In other countries namely Bangladesh, Indonesia, Republic of Korea, Japan, Malaysia, Philippines, Singa-

pore, Thailand, Cooperation is a national subject and, therefore, there are national cooperative laws. Singapore and Thailand have one national law for all kinds of cooperatives. In Bangladesh the Cooperative Societies Act 1940, has been replaced by Cooperative Societies Ordinance 1984. In Japan, Republic of Korea, Philippines, Pakistan, Indonesia there are more than one law. In Indonesia, the main law is "The Law on Basic Regulations for Cooperatives in Indonesia". To govern KUDS there is a separate Presidential Decree No 4 of 1984, which regulates the government's support to the development of KUDS. In Pakistan, besides general cooperative law, there is another law to govern the farming cooperative societies in the country. In Japan, there are five cooperative laws namely, Agricultural Cooperative Law, Consumer Cooperative Law, Fishery Cooperative Law, Forestry Cooperative Law and Small and Medium Enterprises Cooperative Law.

3.2.1 In the Republic of Korea, there is Agricultural Cooperative Law, Fisheries Cooperative Law, Credit Unions Law and Livestock Cooperative Law. In Philippines, there are four Laws namely, Philippines Constitution, Presidential Decree No. 175, presidential Decree No. 269, Presidential Decree No. 775 and E.O. No. 898

3.2.2 The common contents in the cooperative laws of all the countries relate to registration, management of cooperatives, rights and duties of members, audit and inspection of cooperatives, settlement of disputes, winding or dissolution of cooperatives etc. however, the nature and approach of these laws can be said to be different. While the laws of Japan and Republic of Korea are more oriented towards strengthening autonomy of cooperatives, the laws in Bangladesh, India, Pakistan, Sri Lanka, are Registrar—based and they tend to give more powers to the government to restrict and regulate working of cooperatives. The laws of Indonesia, Singapore, Thailand, Philippines and Korea provide some role for the government in cooperatives, but refrain from clothing governments with wide and stringent powers. The cooperative laws of India and Sri Lanka are comprehensive to regulate and provide for much operational details.

Policy Support

3.3 The governments in several countries of the region have come out with policy statements on cooperatives. In Bangladesh

government declared a national policy on the organisation and management of cooperatives to develop Cooperative Movement in the country as one of the important means of social equalisation. *In India*, the National development Council, the highest policy making body on planning matters, adopted a National Cooperative Policy Resolution in 1958, as: "The National Development Council believes that through the development of cooperatives based on the values of freedom and community responsibility and organized as a national movement, the creative energies of the people will be released for the tasks of national reconstruction". It comprehensively outlined the role of government, object and pattern of cooperative development, importance and essential role of non-officials etc. A working group was set up to recommend in detail how to implement the said Resolution. In India, the Five Year Plan documents and Industrial Policy Resolutions also incorporate the objectives and role of cooperatives. The Industrial Policy Resolution of 1956 of the Government of India emphasised that "the principle of cooperation should be applied wherever possible and a steadily increasing proportion of activities of the private sector developed along cooperative lines". The Third Five Year Plan defined the role of cooperatives as "In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture....., rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and consumer becomes a vital force for social stability, for expansion of employment opportunities and for rapid economic development". In 1977, the Janata Government reformulated a national Cooperative Policy Resolution and gave 42-Point Action Programme. There is no marked difference in the two policy resolutions. The latter in a way is only reaffirmation of the same approach to cooperatives as was outlined in the 1958 Resolution cited above.

3.4.1 *In Malaysia*, the national Policy in regard to cooperatives is laid down in the Five Year National Economic Plans. *In Thailand*, a policy statement was made by the government in the National Parliament on May 20th, 1983, stating that more "farmers' institutions, particularly, cooperatives shall be supported in order that they shall look after the interest of farmers more efficiently and effectively". *In the Republic of Korea*, Agricultural Cooperative Law of 1983 lays down the government policy on cooperatives as follows :

- All the Ministers of government shall actively support business of the Cooperatives and the Federation, and shall provide preferential facilities of the government or public organisation for their use.
- “The government may grant subsidies necessary for the business operation of the Cooperatives and the Federation within the scope of its annual budget.
- “The President of the Federation may present to the Government his recommendations regarding development of the Cooperatives and the Federation”.

3.4.2 *In Sri Lanka*, there is no national cooperative policy as such. There used to be references to the cooperative movement in the “Throne Speech” at the opening of Parliament, during the sixties, but after the country became Republic such references are not made.

3.4.3 There may not be what may be called ‘National Cooperative Policy Resolution’ as such in some countries, but Governments do formulate policies for specific groups of people or categories of cooperatives in order to ensure their development. *In Malaysia*, policies are formulated for selected cooperatives initiated by the Government such as District Development Cooperatives, Village Development Cooperatives, School Cooperatives etc. Similarly *in Thailand*, the policies are formulated for the processing of paddy and marketing of milled rice of the agricultural cooperatives, construction of infrastructure for the land settlement cooperatives, provision of soft loans to cooperatives for essential capital investment expenditure. *In India*, apart from National Cooperative Policy, specific policies are laid down in the Five Year Plans in regard to role and place of cooperatives in different fields, small and village industries, agricultural processing and marketing, dairy development, handloom development, assistance to weaker sections, tribal development, distribution of essential commodities, procurement of foodgrains etc.

3.4.4 It is essential that the long-term policy on cooperatives should be specific and be reflected clearly in the policies, formulated by different Ministries or departments and the provincial/local governments. It has been observed in some countries that declared policy is not actually followed by different departments of the government. It has also been observed in

some of the countries that policies are formulated on adhoc basis and they are changed frequently which give a setback, at times quite severe, to cooperatives.

3.4.5 Besides policies relating to cooperatives, there are other policies which directly or remotely affect the cooperatives such as licensing policy, price policy, fiscal policy, industrial policy, trade policy, labour policy etc. These policies go a long way in influencing the development, working and end results of cooperative performance. In most cases these policies are formulated taking into account the cooperatives. However, these may not always be to the advantage of cooperative, due to certain factors.

Planning for Cooperatives

3.5 Each developing country in the region has adopted policy of planned economic development. With the commitment to support the expansion of cooperatives in diverse sectors of economy the governments lay down in their plan documents approaches to cooperatives, directions of development, physical targets allocation of funds etc. Various schemes and programmes, are also envisaged. In Bangladesh Ministry of Local Government, Rural Development and Cooperatives prepares and implements schemes through cooperatives in various sectors agricultural irrigation, small and cottage industries, health and family planning fisheries and livestock, transport ect. *In India*, each Plan document devoted a separate chapter on cooperation which comprehensively gave details of objectives, priorities, areas of emphasis, policies relating to each sector etc. Each successive Five year Plan provided larger funds corresponding to Plan schemes and programmes. The Medium Term *Philippines Development Plan* (1987-92) can, implicitly be interpreted to provide vast scope for the cooperatives as a part of private sector. According to Plan document "The ultimate aim of development efforts is the eradication of poverty and the attainment of a better life for each and every Filipino in an equitable and just society". In this task "The role of the Government is to encourage and support private institutions and not to compete with them, guided by the key organisational principles of decentralisation, checks and balances, and minimal government intervention in economic activities.....". Again "decentralisation will require, inter alia, "more active peoples participation through involvement in community organisations and non-governmental bodies". Cooperatives; obvi-

ously meet these requirements and conditions. The plan places great reliance on cooperatives in the field of electrification and agriculture.

3.5.1 *In Thailand*, the Five Year Programme of national, economic and social development makes specific reference to agricultural and rural cooperatives. The Fifth National Economic and Social Development Programme (1982-86) recognized the problems of farmers institutions which were so multi-farious that it proposed clearly rationalisation of various categories of institutions by turning them into one single category of farmers cooperatives. This programme continues in the 6th programme (1987-91).

3.5.2 It may be pointed out that cooperatives generally have no active participation and involvement in the finalisation of the planned programmes for them. Nor do they have their representation in the planning bodies of the country. *In Thailand*, The Cooperative League of Thailand and Agricultural Cooperative Federation of Thailand have representatives in certain advisory boards or adhoc committees appointed by Minister of Agriculture and Cooperatives. *In India*, government constitutes various working groups to prepare draft for the plan outlines. The respective national cooperative federations are invited to give their views for incorporation in the working group reports.

3.5.3 A realistic approach would be that each sector of the cooperative movement should formulate its own long term or Five Year Plans and annual Development Programmes, keeping in view the needs of the members, especially the ultimate beneficiaries at the primary level, the resources available, overall socio-economic objectives of national planning etc. These should be consolidated and incorporated in national plan documents, with essential changes it required. Instead of planning for cooperatives, it should be planning by cooperatives. The government should assist the cooperatives in this respect by way of providing necessary training, technical know-how etc. Planning from bottom up will be more realistic and need-based. This would mean commitment of cooperatives, in turn, of people, which is necessary for the effective implementation to achieve the results.

3.5.4 *In Japan*, cooperatives make their own national plans based on priority areas identified by member organisations or individual

members. In the case of agricultural cooperatives, basic policy of the movement is decided at the triennial congress followed by annual national plan. The priority area taken up by agricultural cooperatives could happen to be the same as national priority. But this does not necessarily mean that the cooperatives always keep the national priority in view, whenever they make their own plan. *In the Republic of Korea*, also plans are formulated by the Federal Organisations. *In Singapore*, cooperatives formulated their policies and objects at Triennial General Assembly (TGA).

Financial Support

3.6 Governments financial assistance to the cooperatives has been most valuable supportive measure. It is extended by way of (i) loans at low rate of interest, (ii) grants and subsidies (iii) participation in the share capital of cooperatives. The pattern and extent of support differs from country to country. In Bangladesh the Ministry of Local Government Rural Development and Cooperatives provides guarantee to the Central Bank of the country for providing funds to the National Cooperative Bank, which gives loans to the traditional Cooperatives. Similarly Souali Bank provides loans to the Bangladesh Rural Development sponsored Cooperatives through the patronage of government. *In Japan*, there are no contributions or grants to cooperatives. However, when cooperatives establish facilities for the purpose of helping farm production and marketing of members produce, special funds are made available with low rate of interest, such as agricultural modernisation fund etc. In case of big projects, some portion of the costs is to be subsidised. Otherwise, the movement is self-reliant financially. *In India*, the governments have extended massive financial support to cooperatives in all the above three forms and to all types of cooperatives. The governments participation in the share capital of cooperatives in India is not found in any other country of the region to that extent and measure. Government participation in share capital is also provided in Bangladesh. This has its own impact on cooperatives. *In Sri Lanka*, Government does not give grants or subsidies to cooperatives. Although cooperatives have to borrow normally from the Peoples Bank, the Government lends money from other funds to cooperatives for the purpose of consumer distribution, in special circumstances.

3.6.1 *In India, Thailand and Indonesia*, government stood guaran-

tor to loans advanced to cooperatives. *In Thailand* government grant is given to the Cooperative League of Thailand only for purposes of implementing its cooperative education and training projects. In DPRK government provides funds for infrastructure and remodeling, Constructing shops, public catering network, consumer services network by consumer cooperatives, construction of small and medium scale irrigation works, pump-houses, threshing floors, shed for domestic animals, store houses, rural power houses standard dwelling units for the peasants by agricultural cooperatives. Government gives short and long-term credit at low rate of interest to the cooperatives through the State Bank. *In Republic of Korea*, loans are provided by government for agriculture development to cooperatives. *In Philippines*, the government provides grant and subsidies to cooperatives on a case to case basis e.g. managerial assistance, education and training grants for agriculture and electric cooperatives. This may be in cash or kind. Under the Rural Banks Act, the government contributes, by way of preferred shares, towards, capitalization of Rural Banks including cooperatives. The normal contribution is atleast one million Pesos. the government of Philippines has also contributed to the share capital of CISP an amount of Pesos 10 million. The government provides resources and guarantees to the financing and development/financing institutions for cooperatives as are given to other enterprises. *In Indonesia*, government subsidy and grants are given, for some time. *In Malaysia*, government provides assistance both in cash and kind.

3.6.2 Financial assistance by the governments was considered essential to build and strengthen cooperatives, because the constituents of cooperatives, specially at the village level, were unable to subscribe substantial finances for business transactions. In some countries governments had to provide loans to individuals to purchase minimum prescribed share of cooperatives to become members.

Tax exemptions and benefits

3.7 Besides the above which in a way is direct financial assistance that flows to the cooperative, the governments also extend indirect assistance by way of exemption to cooperative from certain taxes and fees. The mode and extent of exemptions differ from country to country. In China cooperatives are exempted

from industrial and commercial tax for three years and 20% reduction in business tax. *In Thailand*, the cooperatives are exempted from Income Tax and registration fee. However, they have to pay business taxes except in the case of agricultural cooperatives for business transactions between cooperatives and their members. *In Indonesia*, the tax relief is to the extent of the business transactions between cooperatives and their members. The cooperatives are also exempted in Indonesia from licensing fee.

In Philippines the income tax exemption is given to all non-profit organization including the cooperatives, if they qualify as such and to farmers cooperatives which merely act as sales agent to such farmers. There is also the tax exemption to electric cooperatives, except income tax, import duties and fees. The transport cooperatives are exempted from income tax for five years and carriers tax. Local governments (provinces, cities, municipalities, barrios) have no authority to impose tax on cooperatives. *In Malaysia*, the income of any cooperative society is exempted from income tax for a period of five years commencing from the date of registration of such cooperative society; thereafter, where the member's funds of such cooperative society as at the first day of the basis period for the year of assessment is less than five hundred thousand Ringgit. Otherwise, income tax is charged upon the chargeable income of every cooperative society at the appropriate rates".

3.7.1 *In Japan*, the Agricultural Cooperative Societies Law provides "The amount equivalent to the surplus dividend to be paid to cooperative members in proportion to the rate at which the cooperative members have made use of the business of a cooperative, shall, in accordance with the provision of the corporation tax law, be counted as the amount of loss on the income tax of the said cooperative". In Democratic People's Republic of Korea cooperatives pay to the government a definite sum from their profits, but fishery and industrial cooperatives are exempted from this obligation for 6 months or one year after their formation. There is no registration fee. The Agricultural Cooperative Law in Republic of Korea provides "The business and the property of the cooperatives and the federation shall be exempted from taxes and other public assessment of the state or local autonomous entities except in case of custom duties and commodity tax". Article 9 of the Fisheries Cooperative law contains

similar provisions. With the promulgation of the Tax Exemption Regulation law on December 20, 1965 the cooperatives, were deprived of the tax privileges prescribed for them in the Cooperative Laws. In the process of the implementation of Five-Year Economic Development Plans, the government felt a need to enhance the efficiency of its tax policy through the re-adjustment and consolidation of diversified tax exemption articles of various laws and cooperatives, as did other groups, became subject to taxation. Thus during the period from 1966 to 1981 cooperatives had to pay all kinds of taxes except for the corporation tax. With the introduction of the Minimum Tax System in January, 1982 the cooperatives have been forced to pay even the corporation tax, but a preferential tax rate has been applied to them. For example, if the standard of assessment is less than 50 million won, the corporation tax rate is 20 percent for profit-making corporations, while it is only 5 percent for cooperatives.

3.7.2 *In India* exemption from Income Tax is given to (i) cooperatives engaged in business of banking or providing credit facilities to their members, cottage industries, agricultural marketing, purchase of agricultural inputs for supply to members, collective disposal of labour, agricultural processing without power, fishing, provided that voting rights in such cooperatives are restricted to individual members, cooperative credit societies which provide financial assistance to assessee society and the State governments; (ii) primary societies supplying milk, oil seeds, fruits and vegetables raised or grown by members to federal cooperatives, government and government company. Consumer cooperatives are exempted upto an annual income of Rs. 40,000. The exemption limit of other societies is Rs. 20,000. Cooperatives are also exempted from registration fee.

Support to Cooperative Education and Training

3.8 A vital support which cooperatives have received from the government in the developing countries of Asia is for promotion of cooperative education and training. In all the countries of the region, cooperation has been practised in its traditional form as part of peoples' life pattern. In the modern sense, the concept is at times taken as alien. Cooperation is a complex phenomenon. It has an ideological base, economic objectives and social outlook, to be adopted in practice, in conformity with a code, called the cooperative principles, and also in accordance with the cooperative

Act of a country. In most of the countries of Asia, majority of people, especially in the rural areas, are unaware of these complexities. It is imperative that they should be thoroughly acquainted with the concept, principles and practices of cooperation. The governments in all the countries in the region have recognized this need and extended their financial support for building arrangements for cooperative education and training. In Bangladesh, the government provides administrative cost of two academies viz (i) Bangladesh Academy for Rural Development (BARD) and the Rural Development Academy (RDA), one cooperative college and eight zonal institutes which are engaged in cooperative education and training of cooperators and employees. *In Malaysia*, the government is to provide basic "Learning inputs" for example establishment of the Cooperative Development Department and Cooperative College of Malaysia. *In Indonesia*, the objectives of cooperative education and training have been defined as follows:—

- in the case of board of village units, to develop leadership and supervising capabilities and to improve their knowledge, skills and education, along with their awareness of their rights and duties.
- in the case of managers, to make them professionally competent in managing cooperative societies to enable them to provide services to the members and to the community, by imparting business management, knowledge and skills, developing leadership and supervising capabilities along with good knowledge of their rights and duties.
- in the case of government officials to make them professionally competent by imparting managerial knowledge and skills in the techniques of planning, implementing, supervision, guidance, monitoring and evaluation alongwith a spirit of loyalty and education. The aim of training is to enable them to guide the cooperatives in the development towards strength and self-reliance.

3.8.1 In DPRK Management staff and chief engineers are trained at the maustrial, agricultural and commercial institutes. Each provincial union conducts special courses at their own institutes for section heads, agricultural and commercial cadres. *In the Republic of Korea*, cooperative education and training is designed and conducted by the federation of agricultural cooperatives and cooperatives. The target subjects for education are two million

farmer members and 44 thousand employees. *In Thailand*, the government gives financial assistance to the Cooperative League of Thailand to implement education and training activities; besides the government extends the following assistance:-

- help formulate programme for cooperative education and training
- produce and provide teaching materials including manuals
- provide partly financial assistance
- run national as well as regional training centres with libraries and other facilities.
- provide trainers and educators and resource persons
- carry out follow up or evaluation programmes in collaboration with Cooperative League of Thailand.

3.8.2 The management training of agricultural cooperatives is the responsibility of the National Agricultural Cooperative Institute (NACTI), a government and EEC, sponsored organisation. The Cooperative Promotion Department assists and supports the education and training programmes of cooperatives throughout the country. *In Philippines*, the government has assumed responsibility of research and development, education of general public about cooperatives, pre-membership education, training of officers, directors and committee members, management training, introducing cooperatives in the educational curricula. The government finance all these activities. *In India*, the government have assisted the National Cooperative Union of India to build institutionalised training facilities for all categories of employees of the cooperative department of the government and of the cooperative institutions, categorised as higher, intermediate and Junior functionaries. There is one national level institution (Vaikunth Mehta National Institute of Cooperative Management, Pune), eighteen cooperative training colleges and eighty cooperative training centres. The government provides financial assistance for employing the personnel at these institutions and also to meet the training costs of the participants of various courses either in full or in part. *In Sri Lanka*, the government runs a School of Cooperation to train its cooperative inspectors and to give orientation courses to officers of other government department concerned with cooeprative societies. The National Cooperative Council provides at its district centres for the education and training of the employee of cooperative societies. *In Japan*, immediately after

the World War II, the government was involved in education for the purpose of promulgation of the new agricultural cooperative law since there was no proper organizations at that time. After the establishment of the societies and their prefectural and national bodies, particularly unions, the government has nothing to do with the cooperative education and training.

3.8.3 The government in some of the countries in the region have extended financial assistance and made arrangements for training of personnel from cooperatives from other countries in the region, such as the governments of Japan and India. In addition the movements also arrange training courses for cooperators of other Asian countries. For example, the Agricultural Cooperative Movement of Japan has established the IDACA. Consumer cooperatives in Japan arrange training courses/conferences for cooperatives in Asian countries.

3.8.4 The governments in various countries have also encouraged the training and education facilities offered by International Cooperative Alliance, ILO and other agencies like Swedish Cooperative Centre, Moscow Cooperative Institute, The International Cooperative Training Centre, Loughborough, etc.

3.8.5 The problem of education of members and training of employees is so huge in the Asian context that these efforts have not yet achieved the desired level. *In India* alone, there are nearly two hundred million individual members of cooperatives that need to be educated, besides about one million employees of cooperatives. There is lack of adequate member information, member awareness and member participation. Consequently cooperatives suffer from varied short-comings and ailments. *What is needed is creation of intensive educational movement. This cannot be done by the government. It is the legitimate responsibility of the cooperative leaders and cooperatives themselves. Government can support their efforts. The object should be to make education an integral and essential activity of each cooperative on regular basis.* In a larger context, cooperative education has not to confine itself to members of cooperatives only. It has to go beyond them, so as to cover the family of the members and the potential members. This is admitted by all concerned, but seldom realised that enlightened members will be a source of great strength to the cooperatives and their effectiveness.

Joint Ventures

3.9 Governments in some countries have come out to set up joint enterprises collaborating with cooperatives, particularly highly capital intensive undertakings. *In Philippines*, Cooperative Insurance System of Philippines (CISP) is a joint-venture of cooperatives and the government, the latter contributing ten million Pesos. *In India*, Indian Farmers Fertilisers Cooperative Limited, Krishak Bharti Cooperative Limited which are the largest fertiliser producing enterprises in the country and Petrofils Cooperative Limited, an enterprise which manufactures synthetic Yarn, have been set up as joint cooperative ventures. The Indian Joint Enterprises have gone a long way in assisting agricultural modernisation. The country has gained by way of saving foreign exchange which otherwise would have been required for importing fertilisers. In such huge enterprises, government participation may be essential at the initial stage. Subsequently, the government shares may be withdrawn making the joint venture purely cooperative.

Other Support

3.10 Apart from extending direct financial support to cooperatives, the Governments also support them indirectly in some countries of Asia. *In Thailand*, the government provides empty land for landless farmers through land settlement or land hire purchase cooperatives. It constructs and maintains reservoirs and other irrigational facilities for agricultural and land settlement cooperatives, constructs small hydro-electricity projects for the rural electricity cooperatives and installs electric water pumps for small irrigation cooperatives. *In Philippines*, government gives preference to cooperatives in administering price stabilisation programme, electricity and transportation. *In Indonesia*, rice procurement business has been given to cooperatives. *In India*, price support policy is implemented through cooperatives. Government gives price premium of 10% to cooperatives; reserves production of certain variety of handloom products for handloom sector; exempts labour cooperatives from depositing earnest money in certain cases; allows purchase of goods from cooperatives without calling for tenders; allots land to cooperative housing societies at lower price; provides accommodation to departmental employees cooperative free of charge or on nominal charge only; gives preference to cooperatives in licensing sugar and other agro-processing cooperatives, supply of raw materials to cooperative industries on priority basis etc.

3.10.1 Besides augmenting the business turnover and better returns, *this kind of assistance gives a moral boost to cooperatives, In a way this is a better way of assistance. (More details may be collected from various countries for dissemination to all countries within and outside the region).*

International Assistance

3.11 The governments in the Asian countries have also received or allowed the cooperatives to receive assistance from foreign governments and international agencies for the development of cooperatives. Some information is given below:-

Republic of Korea received assistance from the following sources:-

- United Nations Development Programme (UNDP).
- Voluntary Fund for the United Nations Decade for Women.
- Asian Development Bank.
- Australian Development Assistance Bureau.
- Canadian International Development Agency (CIDA)
- Ministere des Affaires Etrangères, France
- Bundesministerium für Wirtschaftliche Zusammenarbeit (BMZ), F.R. Germany.
- Dipartimento per la Cooperazione allo Sviluppo, Italy
- Japan International Cooperation Agency (JICA)
- Saudi Fund for Development
- Overseas Development Administration (ODA), United Kingdom.
- CARITAS INTERNATIONALIS (International Confederation of Catholic Organisations for Charitable & Social Action).
- International Planned Parenthood Federation (IPPF)
- Lutheran World Federation (LWF)
- World Council of Churches (WCC)
- Cooperative Development Foundation (CDF), Canada.
- DANCHURCH AID, Denmark.
- Bread for the World, F.R. Germany.

- Konrad-Adenauer-Stiftung, F.R. Germany.
- Agency for Personal Service Overseas (APSO), Ireland.
- Centrale Voor Bemiddling bij Medefinanciering van Ontwikkelingsprogramma (CEBEMO), Netherlands.
- Swedish Cooperative Centre (SCC).
- OXFAM, United Kingdom.
- American Friends Service Committee, USA.
- Catholic Relief Services (CRS), USA.
- Church World Service, USA.
- Lutheran Church in America-Division for World Mission and Encumenism (ICA/DWME), USA.
- Save the Children Federation Inc., USA.
- United States of America (USA), Agency for International Development.
- Volunteers in Asia, USA.
- Vaikunth Mehta National Institute of Coop Management, India.
- International Institute for Development Cooperation and Labour Studies, Israel.

3.11.1 *Bangladesh* received assistance for Comilla type cooperative from Danish, Asian Development Bank and World Bank. The traditional Movement received assistance from Bulgaria, Canada and India for fisheries development, from the British Government for training of cooperative personnel.

3.11.2 *Indonesia* received assistance from Asian Development Bank for KUDs, Government of Switzerland, Government of F.R.G. and Friedrich-Ebert Stiftung, Federal Republic of Germany, Netherlands, U.K. Overseas Development Administration, UNDP and FAO, ILO, USAID, Cooperative League of USA, CIDA, World Bank, Voluntary Agencies, Cuba, Asia Foundation (USA), Groscer Fathers, The Mari Knoll Sisters of St. Dominic etc. for different types of cooperatives.

3.11.3 *Sri Lanka* received assistance from Asian Development Bank, International Cooperative Alliance, Swedish Cooperative Centre, Swedish International Development Authority, World Food

Programme, ILO and Danish International Development Agency (DANIDA).

3.11.4 *Malaysia* received assistance from International Cooperative Alliance.

3.11.5 *Thailand* Cooperatives were assisted by Asian Development Bank, Government of Japan, European Economic Community, FAO, ILO, Swedish International Development Authority, World Bank, Cooperative League of USA, Friedrich-Ebert Stiftung (Federal Republic of Germany), International Cooperative Alliance, Canadian University Service Overseas, German Volunteer Service, US Volunteer Development Corpse.

3.11.6 *India* received aid for various projects from ICA, Swedish Cooperative Centre/SIDA, World Bank, Friedrich-Ebert Stiftung, FAO, ILO, USSR, German Democratic Republic (GDR), Overseas Development Authority (UK), Canadian International Development Authority, Canadian Cooperative Union, Cooperative League of USA, IDACA, World Population Programme, etc.

3.11.7 The above information gives an indication of international collaboration which could be established only with the consent of the respective governments in various countries. *It would be useful to have a comprehensive documentation prepared on international assistance from various sources, purposes, amount and impact.*

Government Involvement in Management of Cooperatives

3.12. Management of cooperatives is the most important determinant of their success. It is the nature and pattern of management which distinguishes cooperatives from other forms of economic organisations. Characteristically, cooperative management means management of the affairs of a cooperative by a management body elected democratically on the basis of voluntary decisions of the members. It means no outside interference in the matter of management of cooperatives. It further implies that the government should not have any say direct or indirect in the management affairs of cooperatives. This principle has been observed *in Japan* where cooperatives have complete freedom of management by the members. Contrary to this, the governments in several developing countries of Asia have clothed themselves with the power to involve themselves in the manage-

ment of the cooperatives in different ways, in the name of strengthening the cooperatives and on the plea of investment of government funds in them. The extent and manner of involvement in the management differs from country to country.

3.12.1 Nominations on the Board of Directors: In India, the Multi-State Cooperative Societies Act Section 41(1) provides for nominee of Central government or State government on the Board of Directors of Multi-State Cooperative Societies, such number of persons as may be prescribed where the Central government or a State government has subscribed to the share capital of a multi-State cooperative society or has guaranteed the repayment of principal and payment of interest on debentures by a multi-State cooperative society or has guaranteed the repayment of principal and payment of interest on loans and advances to a multi-State cooperative society. The State cooperative laws also have such provisions, to the extent of nominating 3 members, and the Chairman and majority of board of directors depending upon the amount of share capital contributed. In some cases, it is got incorporated in the bye-laws at the time of registration itself that the government would nominate the board of directors for a certain period (10 years or so). In the Republic of Korea also government nominates the President and members on the Board of NACF.

3.12.2 Dissolution of Elected Board: While the governments have no power to dissolve/supersede elected board of directors in *Japan, DPRK the Republic of Korea, and the Philippines*, the governments in *Bangladesh, India, Indonesia, Pakistan, Sri Lanka, Malaysia* have the power to supersede the board of directors, appoint administrators to manage cooperatives. In *India*, it has become a normal feature that the governments supersede the Board of Directors on some plea, appoint civil servants or private individuals, not necessarily from among the members of cooperative, as administrator or nominate the entire board. According to law, an administrator or nominated board cannot continue for more than specified period (from one year to three years), but in actual practice this is not observed and administrators continue for a long period. *The Bangladesh Cooperative Societies Act* provides maximum period of one year provided "the government may extend the period of one year for such further period as, it may think fit". The implications of the provision are obvious. There are several States in India, where no elections have been held and the administrators/nominated boards have been continu-

ing for a long time. This means absence of principle of democratic control.

3.12.3 The nominated office-bearer and board draw their strength not from the constituent members, but from the government. They feel accountable to the government rather than to members and find it in their interest not to get the elections held. They do not have any stake in the organisation. They are in several cases much costlier than elected persons.

3.12.4 *Seconding of Government Servants to Cooperatives:* Another way of involvement of the governments in the management of cooperatives is seconding their officers to cooperative institutions in key positions. There is no such practice in *Japan and Korea*. In *Indonesia*, government officers are appointed to run cooperatives specially the KUDs with an understanding that they are to be replaced by KUDs own personnel in due course of time. In *Philippines*, government appoints managers of government-financed or subsidised cooperatives. Seconding of government officers to cooperatives has become a normal feature of *Indian* cooperatives at various levels. It has caused dissatisfaction and resentment among cooperatives' own employees, industrial unrest and promoted vested interest of government employees.

3.12.5 In *India* the government has adopted a policy of professionalising management of cooperatives, with a 'view' to improving their operational efficiency. This decision has been appreciated by all within and outside cooperatives. However, its implementation has been vitiated by appointing government officers as Chief Executives in most cases. This has become a rule rather than an exception. They are posted and transferred from one cooperative to another by the government orders, like government departmental postings, taking the institutions for granted. This has benefited only the government officers. At times, person deputed has neither the willingness nor interest in and competence for the assigned cooperative, but he is deputed. This can hardly be called professionalisation. With this practice of government officers working as heads, an institutions would not build its own management personnel for top position. *It is necessary that professionalisation of management should be introduced in its right spirit and perspective.*

3.12.6 *Recruitment of Cooperative Personnel:* The governments

in some of the Asian countries also involve themselves in the recruitment of employees of cooperatives. *The Government of India* has set up a "Panel Authority" at its level to recruit key personnel for the national level cooperatives as per the provision of the Multi-State Cooperative Societies Act. It has been recommended to the State governments to set up similar "recruitment authorities" at State level. In some States cooperative service commissions have been set up with senior officers from the cooperative department heading it, for recruiting employees of all categories of cooperatives including village cooperatives. The "Authorities" in *India* brought in, in several cases, government officers in national cooperatives. *Sri Lanka* has also set up a Cooperative Employees Commission having power to lay down methods of recruitment, conditions of employment, conduct examinations, determine qualifications for various posts, fix scales of salaries etc. How far recruitments have been made as per the desired object is a matter for study. It is necessary to evolve scientific methods and objective system of recruitment of employees for cooperatives. But such a system should be within the parameters of cooperative structure itself and not at the level of governments. In *Japan, DPRK the Rep. of Korea, Malaysia, Singapore*, governments are not involved in the personnel matters including recruitment. These are dealt with by the concerned cooperatives, which is in conformity with the concept of autonomy of cooperatives.

3.12.7 Government's Influence Over Cooperative Decisions: Cooperatives are institutions to be managed democratically. It means the General Body of members and management bodies constituted or elected by members have the freedom to take decisions to manage or run the cooperative. *This principle is being observed fully in Japan.* In several developing countries of Asia, the governments also influence the decisions of General Bodies and Boards. In *Malaysia*, the government has the right to approve or rescind the decisions of General Body and the Board of Directors. The government can also exercise discretionary powers particularly for cooperatives which violated the Cooperative Societies Act of 1948. In *Thailand*, the Government besides having the power to approve or rescind decision of the General Body and the Board of Directors, vests in its nominees veto power to annul the majority decisions of General body/Board of Directors. The Government also influence the decisions of the cooperatives by nominating its representatives on the Board.

3.12.8 *In Philippines*, the Government issues circulars, which although are merely "advisory" under Philippines legal system, are interpreted frequently as regulations or directions at the field level. The government also changes the decisions of the Board and General Assemblies, when there is public criticism of decision taken by the cooperatives. But this power of approving and rescinding the decisions of the Board and Assemblies is restricted to such cooperatives only as are financed by the government, as per the terms of financing and not in case of the societies where there is no financial involvement of the government. The government can also give directions to cooperatives in Philippines. Another way of influencing the decision of the General Body is appointing managers and directors of government financed and subsidised cooperatives.

3.12.9 *In India*, several Acts empower the governments to rescind the decision of General Body/Board of Directors. Some laws also provide veto power to the government nominees on Boards. *In Sri Lanka*, two third of the members of Board of Directors are government nominees. Thus they influence the decisions to be taken by the elected members. As a matter of fact even the presence of one Government nominee at the meeting of General Body and Board influenced the decisions of cooperative.

3.12.10 Working of government officers in the cooperatives on deputation also influences the decisions of cooperatives, as desired by the government or as per the needs of the government rather than the members, as they constitute a link between government and cooperative rather than cooperative and its members. They work under the directions and "indications" of government. As government servants they cannot resist the government's advice even if it may be informally communicated. They owe their accountability to Government rather than to General Body. "Desires" of political high ups also carry weight in decision making.

3.12.11 That the government should influence the decisions of General Body or Board of Directors of cooperatives is much against the concept of autonomy and self-management. Cooperatives are owned by the members and, therefore, they know their interest best while taking the policy decisions. The government at best may provide guidance and advice, *if it is sought for*, and then leave it to the cooperative concerned to accept

the advice or not to accept. To annul the decisions of General Body or Board of Directors makes the General Body and the Board of Directors subservient to the government, which takes the decision not from the point of view of members, but from administrative point of view.

3.12.12 *Scrutiny of Management Performance:* In all the countries, the governments have assumed the power to scrutinise the performance of management of cooperatives. The two vital instruments used in all the countries for this purpose are *audit* and *inspection*. The use of these instruments differs from country to country. While inspection is power, duty and function of the government in all the countries, audit arrangement has variations. In some countries it is the responsibility of the governments while in others that of cooperatives themselves.

3.12.13 *In Malaysia,* the audit is responsibility of cooperatives. All cooperatives should have internal auditors as well as appoint private external auditors approved by the Cooperative Development Department. However, if cooperatives cannot afford services of private external auditors they can get the assistance from Cooperative Development Department. The inspection is conducted regularly by the government officers.

3.12.14 *In Japan,* the government is responsible for inspection of cooperatives to check whether there is any legal violation or not in the working of cooperatives. The government is to inspect cooperatives annually. However, it is not a regular affair, due to the lack of adequate number of inspection officers in the government. In the case of agricultural cooperatives CUAC and Prefectural Unions have their own authorised "Agricultural Cooperatives Auditors" as employees for voluntary auditing. This is to advise the management of the societies and prefectural level organisations for establishing sound management or improve the management. Prefectural unions and prefectural governments are coordinating the job. The improvement of management efficiency is the responsibility of the Unions rather than of the government. In the case of consumers cooperatives in Japan, they do not have authorised auditor system as in the case of agricultural cooperatives. Ministry of Welfare which is responsible for consumer cooperatives do not have sufficient number of inspection officers. Regular inspection, therefore, has not been made so far. They inspect only when they suspect something

is wrong. Thus, government inspection has nothing to do with the improvement of the management efficiency. Auditing of the cooperatives is the responsibility of cooperatives themselves. They elect auditors from among members at their general meetings. These auditors are responsible for submitting financial statements to the general meeting for approval. In DPRK audit is carried out by the auditing wing of Inspection Commission.

3.12.15 *In Sri Lanka*, audit and inspection are the responsibility of the government. However, the large societies are allowed to get their accounts audited by public auditors approved by the Registrar. The inspection of cooperatives is not regular. The department of cooperative development is too often called upon to perform services in "the public interest", which are not their legitimate duties. This results in much of regular duties getting delayed. Cooperative inspectors are deputed on adhoc jobs like supervising the issue of cloth or rations in times of emergency. *In Thailand*, the government makes annual and, in some cases, interim audit of all cooperatives without fees. Inspections of cooperatives are made periodically or at intervals by cooperative officers assigned by the Registrar. Supervision and guidance is part of cooperative extension work undertaken by the field cooperative officers. However, government staff is not enough to conduct audit and inspection. Therefore, the efficiency of marginal and sub-marginal cooperatives is affected.

3.12.16 *In Philippines*, it is generally held that audit is a tool of management. As such it is the responsibility of the cooperatives and not that of government. This does not mean, however, that the government is not to audit cooperatives. On the contrary it should audit, but solely for the purpose of the laws and regulations affecting them and accordingly take action on findings. It is widely held that the audit, for which cooperatives are responsible, takes overall performance of the organisation, and this also includes legal aspects of their operations, which is the primary concern of the government audit. The Cooperative Union of Philippines has set up national cooperative audit system. It is designed to provide audit services to cooperatives registered under P.D. No. 175, although it can also serve electric and transport cooperatives. The national cooperative audit system draws its cooperative auditors from government personnel or government trained cooperative auditors. They are appointed to audit cooperatives on the professional engagement basis. However,

not all cooperatives are audited by INCAS. Cooperative not audited by INCAS falls into two categories (1) those already being audited by general practitioners and they can generally afford to pay audit fee (2) those audited by the government and these are generally those that cannot afford to pay audit fees.

3.12.17 *In Indonesia*, audit and inspection are the responsibilities of the government. However, these are limited to business under government programmes.

3.12.18 *In India*, audit and inspection are within the powers and responsibilities of the government. The government deposes its own government auditors or on its behalf appoints private auditors. However, audit and inspection are irregular and remain in heavy arrears due to inadequacy of staff.

3.12.19 *In Singapore*, inspection, supervision, enquiry are the responsibilities of the government. They are carried out as and when circumstances require.

3.12.20 It may be noticed that the objectives of government audit and inspection are different in Japan and the Republic of Korea, on the one hand, and in other developing countries of the region, on the other. In Japan and the Republic of Korea, the main objective is to find out whether or not the cooperative laws have been followed or violated. In the latter case, the objective is wider so as to cover scrutiny of business operations and management decisions etc.

3.12.21 The government also call for periodical reports, annual reports, balance sheets, profit and loss accounts in the developing countries to scrutinise the performance. *In India*, annual reports and financial statements of national cooperatives are also placed before the Parliament. *In Singapore*, monthly and annual returns are statutory. Scrutiny of management performance through audit and inspection exerted healthy effect on the working of cooperatives, when conducted regularly, timely and with objectivity. Delay in their conduct or politically motivated scrutiny defeats the very purpose of audit and inspection.

3.12.22 Performance scrutiny is the responsibility and function of each cooperative and that of cooperative federations. Government's concern, if at all, should be limited to ascertaining observance of cooperative laws by cooperatives. "Self scrutiny is part of self-rule".

Compulsory Restructuring

3.13 Another area where governments have been playing decisive role is restructuring of cooperatives at various levels, in most countries of Asia. *In India*, the base level cooperatives had been restructured a number of times from "one village one society" to large-sized cooperatives; from the latter to multipurpose and service cooperatives with reduced area of coverage. Then again amalgamation. Before a pattern of structure could prove its utility or otherwise, restructuring had been effected, to search out a viable size. In this trial and error method members have no say. The restructuring is enforced from above, much against the resistance of cooperatives. Through the process of compulsory amalgamation, cooperatives have been got reorganised by the governments. For serving the tribals special types of cooperative called the LAMPS (Large Size Multipurpose Cooperatives Societies) have been organised in India. The government also enforced direct membership of such primary cooperatives as have prescribed volume of business turnover, in their National Federations. At one stage it was thought of to amalgamate the short and long-term credit structures to provide service to farmers through one window. It has been deferred for the present.

3.13.1 *In Sri Lanka*, the government enforced compulsory amalgamation of nearly 5,000 multi-purpose cooperatives into nearly 300 in 1970 much against members' will. The Cooperative Federal Bank of Ceylon, which was set up in 1947, was absorbed by the "Peoples Bank" - a commercial bank - in 1961. Likewise in 1970, Cooperative Federation of Ceylon, having 8,000 cooperatives as member was amalgamated with a newly formed body "The National Cooperative Council". Examples of this nature may be cited from several other countries in the region.

3.13.2 Compulsory amalgamation is much against the essence of Cooperation. It gives no credence to mutuality, and contractual consent. At times, political factors play a vital role in the formation of amalgamated societies, which otherwise could be viable independently.

4. IMPACT OF GOVERNMENTS' ROLE

4.1 It is necessary to have an indepth study of the impact of governments role and involvement in the cooperatives, especially

assumed varied responsibilities for the development of cooperatives. It may be stated broadly, on the basis of available information, that the impact is mixed one, that is, both positive and negative. The following may be identified to give a glimpse of what the cooperatives have achieved and what they have lost.

Positive Impact

4.2 Cooperatives in all the countries of the region, without exception, are constantly progressing, adding to their number, membership, volume of capital, business turnover, employees, coverage of population, diversification, services to members and to the community as a whole.

4.2.1 *Share in National Economy*: With the expansion and growth of cooperatives their share in the national economy has increased. In China the total value of farm products through cooperatives accounted for 27.6% in rural areas, whereas supply of consumers goods reached level of 23% of the national retail trade. Around 50% of fertilizers and a great deal of pesticides and farm implements were provided to peasants through cooperatives. In Japan the position of cooperatives in the national economy is as follows:

Share of Agricultural Cooperatives in National Economy

Sales	%	Supply	%
Rice	95.9	Fertilisers	94.4
Vegetables	49.5	Feeds	41.6
Fruits	50.9	Agri. Chemical	70.0
Cattle	46.7	Pack's Materials	78.0
Pig	36.7	Machineries	45.9
Milk	58.2	Automobile	20.9
Egg	20.9	Petrol	56.8
Chickens	18.1	LP Gas	46.0
		Cons. goods	14.9

The share of consumer cooperatives in Japan is 2% of the retail trade.

4.2.2 *In India*, the cooperatives share in agricultural finance was just 3.1% in 1951, which has increased to nearly 60% in 1986. Cooperative sugar industry's contribution is 40% in the total production of sugar. Fertiliser production in cooperative sector

has gone up to 20% in case of phosphate and 25% in case of nitrogen fertilisers. (No information was available from other countries in the region).

4.2.3 Impact of cooperatives on agriculture: Development of cooperatives had salutary effect on the overall national economy of all the countries in the region. However, their impact had been more in the field of agriculture in all the countries, except Singapore, which has a more urbanised economy. With larger coverage of farmers, supply of credit and agricultural inputs, development of agricultural land and irrigation, financing of modernisation of agriculture, cooperatives have no doubt been instrumental in augmenting the productivity of agriculture and agricultural production, which, in turn, pushes up the entire economy. *In India*, cooperatives played a vital role in achieving what is called the "green revolution". Similar has been the role of *KUDs in Indonesia* and agricultural cooperatives in other countries of the region.

4.2.4 Mobilisation of rural savings for industry: An important achievement of governments' involvement has been mobilising savings in the rural areas for putting up agro-based industries, like sugar, paddy, dairy, etc. While governments and financing institutions advance loan facility, initially farmers have to raise seed money, the ratio being 65:35 in the cost of the project, e.g. to install a sugar cooperative in India. This amount is subscribed by the farmers out of their savings.

4.2.5 Economic Growth Centres: Development of cooperative processing in the field of sugar, paddy, dairy, etc. have developed significant economic growth centres making a perceptible impact on poverty in their area of operation.

4.2.6 Increased employment: One of the most important gains of cooperative development with Government support is that it has created employment opportunities both for self-employment and employment in cooperatives. No reliable figures are available for various countries to measure aggregate volume of employment in cooperatives. *India* alone may have nearly two million employees in the cooperative sector comprising nearly 0.3 million cooperatives. Big cooperative enterprises like Indian Farmers Fertiliser Cooperative Limited (IFFCO), Krishak Bharati Cooperative Limited (KRIBHCO), AMUL, Sugar Cooperatives, each employ some hun-

dreds of employees of different categories. It would be a good study to assess the volume of employment in different countries of the region to project the potentialities of cooperatives.

4.2.7 Impact of Cooperative Marketing: Progress of marketing cooperatives, which played an important role in the implementation of price support policy of the Governments in several countries and procurement of agricultural surpluses, obtained better prices for the agricultural producers. Their intervention in the market by increase in supply also provided much relief to consumers, when artificial shortages hiked the prices of agricultural commodities. Entry of marketing cooperatives in the export trade brought about equilibrium in the national markets of agricultural commodities. The farmers have also learnt the value of grading and quality produce. Examples are available where *throw-away prices had been changed into remunerative prices to farmers due to cooperatives marketing.*

4.2.8 Effect on Supply of Consumer Goods: Development of consumer cooperatives in some countries like *India and Sri Lanka* has been mainly due to Governmental initiative and support. Consumer cooperatives during War and post-war period were set up in Asia due to shortages of consumer goods. It is mostly suppliers market there, the consumers are hard hit by high prices and inadequate supplies. Organisation of consumer cooperatives, even though they had little effect in holding price line of consumer goods have certainly succeeded in maintaining suppliers. *In India*, involvement of cooperatives, in both urban and rural areas, in the public distribution system, ensured regular supply of essential consumer goods. With this, *consumer cooperatives are being accepted as utility organisations.*

4.2.9 Amelioration of Weaker Sections: One of the objectives in developing countries' cooperatives was to help the weaker sections. It is a gigantic task, as a large number of people in developing countries of Asia living in poverty. Elimination of poverty is mainly the responsibility of the Government in a welfare state. Cooperatives in several countries in the region had been used by the Governments to implement various schemes designed to improve the socio-economic conditions of the weaker section of the community, for example, developing of dairy, fisheries, poultry, handloom and other artisanal or cottage industries, labour and forestry contracts, development of services like transport, etc.

A large number of cooperatives have been organised with a sizeable membership from amongst the small and marginal farmers, landless labour, unskilled urban workers, etc. Loans on liberal terms have been advanced to them. Thus, cooperatives have been instrumental in providing assistance and relief to the weaker sections with the support of Government. However, the role has not been commensurate with the size of the problem.

4.2.10 Check of Inflation: Some proportion of development expenditure always leads to increased inflation. Development of cooperatives in the production and distribution fields have checked the effect of inflation by increasing production and ensuring rationalisation of distribution. Mobilisation of savings by cooperatives have reduced the money circulation to that extent. Though it is not the objective of the Government to use cooperatives as anti-inflationary measure, yet as economic organisations cooperatives have implicitly played a role in checking inflation.

4.2.11 Social Programmes: Apart from the economic activities, the cooperatives have also been assigned by the Governments in the execution of certain programmes which affect the living conditions of people. In a number of countries, housing facilities have been built by the cooperative with the financial facilities from government and Governmental organisations. In India, the cooperatives have also been involved by the Government in the implementation of family welfare programmes, social forestry, environmental improvement, adult education, etc.

4.2.12 Impact on Money Lenders: The greatest advantage of development of cooperatives in all the countries has been, to a large measure, replacement of money-lenders in the villages, who had exploited the farmers in the past and were cause of their miseries. The proverbial usury has been drastically curtailed.

4.2.13 Side Impact: There are other positive side impacts of cooperative growth which are of significance. The Cooperation has been introduced as a subject in several countries at the school and higher education level. With the development of cooperatives, a lot of literature has been produced on various aspects of cooperative movement in all the countries with Governments' support. The development of cooperatives have also drawn the attention of mass media in all the countries of the region such as radio, television, newspapers, etc. People in

general have been acquainted with cooperatives as they come in touch with them to avail of various services and facilities.

4.2.14 Development of Human Resources: It has been observed earlier that the Governments have provided financial assistance for cooperative education and training purpose in various countries of Asia. This has greatly helped in enabling the cooperatives to develop human resources both in the Government Departments and in the cooperatives. There can be no substitute for an enlightened member and a well trained employee in the cooperative. There is increasing understanding about the nature of cooperative movement, as a result of cooperative education and training. This is evident from the fact that there is now an urge for better operational efficiency and demand for autonomy of cooperatives.

4.2.15 This is the credit side of the balance sheet, the positive gains

Negative Impact

4.3 Development of cooperatives means development of such cooperatives, as have the following characteristics:-

- Cooperative created on the basis of felt needs and it meets them,
- operates on cooperative principles,
- exerts on and promotes basic values in members,
- inspires people to join it,
- develops self-reliance.
- draws its strength from its members and from within the cooperative structure,
- perpetually generated dedicated leadership.

4.3.1 Judged from the above standpoint, a large number of cooperatives lack these features. Cooperative laws and Government policies, among other factors, have also, many times, contributed to the situation. The following aspects stem directly from Governments role and policies which have often negated the development of cooperatives and their character.

4.3.2 Adhoc Policies: It has been observed in some countries that while long-term policies about the cooperatives remain unchanged, short-term policies eg. relating to procurement of agricultural produce, price support policies, export policies etc. changed frequently which upset working of cooperatives, irrespective of whether the change was in favour of cooperatives or against. If change was in favour, it became difficult for the cooperatives to mobilise financial and manpower resources suddenly; if against, the cooperatives faced the dilemma of removing the personnel and curtailing their activities. *In Sri Lanka*, it has been found that the priority of the cooperatives changed with the change in the placement of cooperatives in the governmental set-up. During the period 1965-1970, when cooperation was with the Ministry of Food and Agriculture, it emphasized agricultural production. During 1970-75, it was with Ministry of Foreign and Internal Trade, during 1975-77 it was with Food and Small Industries. From 1970 onwards the emphasis of the Ministry incharge of the subject of cooperatives has been on food distribution, although it was specifically mentioned in policy statement in 1970 that the cooperative movement will play major role in the economy of the country especially in rural development. The conflicting interest and the frequent changes in broad policy has seriously affected the development of the sector with stability. In China under the influence of leftist ideology the cooperatives suffered twice from the change in nature from cooperative to public ownership.

4.3.3 Pseudo Cooperatives: Cooperatives have been organized by the Government machinery in order to achieve the targets laid down in the plan documents of Governments, without assessing, in several cases, the needs of possible beneficiaries or arousing need in them for the cooperative through pre-cooperative education programme. This resulted in lack of proper leadership and popular enthusiasm. The cooperative is then viewed as Government concern. Another result of this approach has been organisation of pseudo cooperatives by clever people just to take advantage of Government facilities and resources.

4.3.4 Neglect of moral aspect: The performance of a cooperative, in general, is measured with the volume of profit it made out of its transactions during the year, which forms the basis of their adult classification in some of the countries. Consequently, commercial values overweigh the moral values which a cooperative

is expected to exert on and promote in its members. The moral value aspects is also not adequately reflected in the contents of cooperative education and training programmes, emphasis being on improving business and operational efficiency of the cooperatives. The objective of a cooperative is not merely to achieve material gains for its members, but equally, perhaps more, important is the development of moral values along with the material gains. As a consequence the relationship between members and cooperatives is not lasting and strong. There should be a *synthesis of material and moral aspects*.

4.3.5 *Distortion of Image:* Use of cooperatives by the Government as their agency for implementing some of their economic and social policies, schemes and programmes, irrespective of their synchronisation with cooperative members' needs, compulsory amalgamation of cooperatives, enforcement of bye-laws on a cooperative by the Registrar, seconding of government officers in key positions in cooperatives, directions from the Government for certain purposes, involvement of Government in the recruitment of employees of cooperatives, essentiality of Government's approval or annulment of the decisions of General Body/Board of Directors, supersession of Boards and placement of nominated Boards or administrators instead etc., and several such other actions on the part of Government, make the people believe that cooperatives are an adjunct of Government rather than a people's movement. This distorted image does not inspire people to organise a cooperative society or retain its membership. A Government organisation by its very nature and functioning is not a source of inspiration to people. Cooperatives need to be correctly projected as people's own organisations.

4.3.6 *Dependence on Government:* The worst effect of governments financial assistance, by way of grants, subsidies, loans etc. is development of a strong psychology to depend on Government finances for any activity which a cooperative may plan to undertake. This is negation of the Cooperation. Dependence upon Government finances perpetually has crippled the cooperatives in several countries. Conceptually, the strength of a cooperative lies in its members and not in outside resources. Outside help may be taken, if necessary for a short time as temporary measure. Dependence on the Government for funds has prompted the Governments to intervene in the working of cooperatives and to limit the democratic functioning.

4.3.7 Loss of autonomy and democratic character: Another concern is loss of autonomy and democratic character due to financial assistance and political and bureaucratic intervention in several countries. When the concept of State's participation in the share capital of cooperatives was recommended in India, it was stated clearly that it will in no way adversely affect or undermine the independence and autonomy of cooperatives. However, in practice, the result has been different and often the power acquired through state participation has been widely used as the most effective instrument to erode the autonomy of the institution, because Governments have acquired the right to nominate a certain number of directors (normally 1/3rd of 3 whichever is less) and also chairman depending upon the proportion of share capital contribution, by the Government. What was as blessing proved to be a curse to destroy the autonomy and democratic functioning of cooperatives.

4.3.8 The laws of most of the developing Asian countries provide for suppression of the elected boards by the Governments under certain conditions. This power has not always been used with discretion and in the best interest of the organisation in some countries. Elected managements are removed on one plea or the other and management is entrusted to appointed administrators or nominated board or directors. As stated earlier this arrangement continues for a long time, though the law provides maximum period within which elections should be held. This has deprived the people of their democratic rights. The use of this power has badly politicised the cooperatives in several countries and diminished democratic character. *In case the supersession is inevitable or unavoidable, the best course is to entrust the management to the federal organisation with the specific direction to get fresh elections conducted within a year for the constitution of a new management committee.*

4.3.9. Lack of Member Participation: Another adverse effect of the exercise of the power of supersession and appointment of administrators and nominated boards and not holding of elections is that the members of the cooperatives feel demoralised and they develop an attitude of apathy and indifference towards the cooperative. They lack a sense of belonging. It has been observed that the participation in the general meetings is so low that even the required quorum of the meeting is not met many times. This kind of attitude of the members allowed certain

vested interested to develop and dominate over a cooperative. A peoples' institution without peoples participation is a misnomer.

4.3.10 *Development of Malpractices:* As result of non-participation of members in the affairs of the cooperatives and their neglectful attitude, several kinds of malpractices and financial irregularities are being committed. These are often highlighted through various methods and media. This has tarnished the image of cooperatives and in some countries, they are looked upon as dens of corruption and malpractices. Besides raising misgivings in peoples minds about the cooperatives, the Government uses it as valid excuse and credibility of argument to justify control and intervention. The antagonist of cooperatives highlight these lapses. it is essential to awaken the common member of cooperatives at the primary level.

4.3.11 *Aversion of Intellegentia:* The image of the cooperatives has been so much tarnished in some countries that the intellegentia, in general, has developed a kind of aversion towards associating with the movement. This is a serious development to the disadvantage of cooperatives. There was a time when the movement was nursed and nurtured by the intellectuals from different fields, academic, legal, technical, etc. They had supported the ideological growth of cooperatives, which is much needed at present in various countries. For strengthening intrinsic values of cooperatives they are to be intellectually nursed.

4.3.12 *Isolated Working:* In the absence of strong working links and inter and intra-cooperative relationships, the whole cooperative structure has developed weaknesses. Instead of working as an organic whole or a well-knit operational system, each cooperative functions in isolation at its level, at times, competing with each other to the advantage of the private trade - their competitors. Japan and the Republic of Korea are the examples where the national unions have succeeded in knitting the constituents and discipling them with a commercial working code. When cooperatives become overly dependent on Government for money and guidance, inter-cooperative links and relationships cannot be easily fostered.

4.3.13. *Legal Confrontation:* Incorporation of regulatory and restrictive provisions in the laws, interference of Government in the management of cooperatives, etc. prompted, in several countries,

legal confrontation between the Government and cooperatives or individuals in the law courts. This further jeopardised the Government-Cooperative relationship and damaged the atmosphere of growth. In India alone, thousands of such confrontations have taken place from the lower courts to the higher and national courts. Besides involving heavy expenditure, it creates mis-givings in the public mind. Litigation is against the concept, spirit and approach of Cooperation. In a number of cases, courts gave verdicts against the governments reflecting malafides and violation of Constitutional provisions etc., which prejudices people against the governments.

It is necessary that there should be developed mechanism and forums at various levels representing the Government and the cooperatives to settle the dispute issues without recourse to law courts. This would be in conformity with democratic approach.

5. IMPACT OF COOPERATIVE LEGISLATION

5.1 Cooperative laws indicate the attitude, approach and policy of the governments towards cooperatives, relationship between the two, functions and responsibilities of federal cooperatives towards their constituents and vice-versa, rights and privileges of members, the like future shape of cooperatives etc. They are also best instruments of education to people to comprehend cooperative concept, as what is given in the text of the law is taken to be true.

5.2 It is not the intention of this paper to examine each provision in depth (such a study may be undertaken by the ICA as was done in the case of India). The main object is to point out as to what extent Laws are instrumental in promoting understanding of cooperative philosophy, ideals and principles and practices of Cooperation and protecting cooperative character, to draw attention to such of the provisions as inhibit the growth and manifestation of cooperative character and limit peoples initiatives and aspirations.

Conceptual Clarity

5.3. One of the essential requirements of cooperative laws is to clearly define basic concepts. Among others, the two most vital

concepts are (i) definition of a cooperative and (ii) cooperative principles. To what extent the laws in Asia meet this requirement?

5.3.1 Definition of a cooperative: Most of the *Indian* laws define a cooperative as society "registered under this Act". The law of *Thailand* defines it as "a group of persons who jointly conduct affairs for mutual assistance and are registered under this Act". (Section 4.) *In the Republic of Korea*, the law states agricultural cooperatives are primary agricultural cooperatives and special agricultural cooperatives through which the balanced development of the national economy is secured by increasing agricultural productivity and enhancing economic and social status of farmers (Article 1 and 2). *Philippines* P.D. No. 175, states (Section 2) that "Cooperative shall mean only organisations composed primarily of small producers and of consumers, who voluntarily join together to form business enterprises which they themselves own, control and patronise. "P.D. No. 269 further states (Section 3) (B) "Cooperatives shall mean a Corporation organized under Republic Act No. 6038 or this decree a cooperative supplying or empowered to supply service which has thereto been organized under the Philippine Non-Agricultural Cooperatives Act whether covered under this Decree or not". *The Indonesian* law on Basic Regulation for Cooperatives defines a cooperative (Article 3; as "The cooperative in Indonesia shall be an economic organisation of the people with a social content (character), having persons or legal cooperative societies as members, forming an economic entity as a collective endeavour based upon mutual help". *In Sri Lanka* law, 4 types of societies that may be registered are defined. The first type is "a society which has as its object the promotion of the economic, social or cultural interests of its members in accordance with the cooperative principles". (The other three categories are definitions of societies of societies). The Cooperative Societies Act of *Singapore* defines a society as follows:

- (a) which has as its object the promotion of the economic interests of its members in accordance with cooperative principles;
- (b) which, while having regard to the economic interests of its members in accordance with essential cooperative principles, has, as its object, the promotion of the economic interest of the public generally, or any section of the public; and

- (c) which is a society established with the object of facilitating the operations of a society referred to in paragraphs (a) and (b).

5.3.2 Obviously, there is no uniformity in the definitions given in different Acts of different countries. Even the State Cooperative Laws in India do not have common definition of a cooperative.

5.3.3 There is marked deviation from the definition of a cooperative as given in the "ICA Rules and Standing Orders", which lay down "Any association of persons, or of societies, shall be recognized as a cooperative society provided that it has for its object the economic and social betterment of its members by means of the exploitation of an enterprise based upon mutual aid, and that it conforms to the Cooperative Principles, as established by the Rochdale Pioneers and as reformulated by the 23rd Congress of the ICA". It is suggested that for clarity of the concept as to what constitutes a cooperative, efforts should be made to get the ICA definition adopted in all the laws of Asian countries.

5.3.4 *Cooperative Principles*: A cooperative society gets its distinctive identity through its governing principles, known as Cooperative Principles which have been evolved out of practical experiences by the founders of the modern concept of Cooperation. Applicable universally, irrespective of socio-political variations among the countries, these Principles are *both means and end* in themselves. They are the means of establishing an ideal cooperative working system and an end in the sense that each cooperative should aspire to adopt and actualise these principles in practice. Originally, formalised in 1937 by the ICA, the Principles were reviewed by the ICA Commission headed by Professor D.G. Karve and comprising members from U.K. USA, the Federal Republic of Germany and USSR. The reformulated Principles were adopted by the ICA's 23rd Congress in 1966 held at Vienna. Precisely these are:

1. Voluntary and open membership,
2. Democratic control,
3. Limited interest on share capital,
4. Equitable distribution of surplus,
5. Cooperative education, and

6. Cooperation among cooperatives.

5.3.5. A reference is made to Cooperative Principles in all the Acts of Asian countries, in the context of registration of cooperatives, providing "only such societies are to be registered" as are organized "in accordance with the Cooperative Principles". These Principles have been incorporated differently in the laws of different countries. *In Indonesia*, the law defines the Principles as follows:

1. Voluntary membership and open to all Indonesian citizens;
2. the supreme authority shall be general assembly of members;
3. the division of surpluses shall be executed in proportion of the social transactions and services by the members in the cooperatives;
4. the interest on capital shall be limited;
5. to develop the welfare of the members in particular community in general;
6. the conduct of business and management shall be open;
7. self-help, self-activity and self-support shall be the essential features of the cooperative spirit in the achievement of self-reliance and self-confidence.

5.3.6 Article 2 adds further that:

1. The ideological basis of the Cooperatives in Indonesia shall be "Panchshilla".
2. The structural basis of the Cooperatives in Indonesia shall be Constitution (1945) and the operational basis shall be Article 3 Sub (1) and its official elucidation concerned of the Constitution.
3. The mental basis of the Cooperative in Indonesia shall be "solidarity" and "individuality".

5.3.7 The Cooperative Law of *Malaysia* gives all the cooperative principles as laid down by ICA with the modification in the 7th principle namely "active cooperation among 'registered' societies. *In Philippines*, the General Cooperative Law, that is P.D. No. 175, incorporates the first four principles, while the other laws do

not. The cooperative legislations of *Japan*, *the Republic of Korea* and *Thailand* do not specifically incorporate these principles as a body, but their adoption is reflected in various provisions of the Acts. In *India*, the Multi-State Cooperative Societies Act of 1984, defines, in the first schedule, the Cooperative Principles as follows:

1. Membership of a multi-State cooperative society should be voluntary and open, without any social, political or religious discrimination to all persons who can make use of its services.
2. In a society other than that with institutional membership, individual member should enjoy equal rights of voting: one member, one vote.
3. (i) Surplus or savings, if any, arising out of the operations of the society belong to the society as a whole, and no individual member has a claim to the surplus.
(ii) The surplus should be utilised for all or any of the following purposes, namely:-
 - (a) providing for development of the business of the society,
 - (b) providing services for the common enjoyment of members,
 - (c) distribution among the members in proportion to their transactions with the society.
4. The society should undertake education of its members, office-bearers and employees and the general public regarding the principles and practice of cooperation.
5. The society should actively cooperate in every practical way with other cooperative societies at local, national or international levels.
6. The share capital of a society shall receive strictly limited rate of interests (that is to say dividend).
7. The affairs of a society should be administered by the management in accordance with democratically expressed will of the members.
8. The management of the society is accountable to its owner-members.

5.3.8 The State Cooperative Laws in *India* have different contents

in regard to Cooperative Principles, for instance, the U.P. Cooperative Societies Act (Section 4) gives in the explanation clause as "Cooperative Principles shall include":

- (a) advance of economic interest of the members in accordance with public morals, decency and the relevant Directive Principles of State Policy enunciated in the Constitution of India;
- (b) regulation and restriction on profit motive;
- (c) promotion of thrift, mutual aid and self-help;
- (d) voluntary membership;
- (e) democratic constitution of the society".

5.3.9. The Maharashtra State Cooperative Act (Section 4), as several other State Acts, makes a reference to "Cooperative Principles" as pre-condition for registration of a society, but remains silent, as to what constitute the "Cooperative Principles". By implication, it is left to the will and pleasure of the Registrar to interpret these Principles. Some Acts in *India*, like that of *Himachal Pradesh* and *Jammu & Kashmir* also lay down that the Registrar is to satisfy that the proposed society is organized not only in accordance with the Cooperative Principles but also has to be satisfied that it is not inconsistent with the *principle of social justice*. The principle of social justice is again not defined and therefore, remains open for interpretation by the Registrar. The Cooperative Societies Act of *Singapore* also makes a reference to Cooperative Principles in the context of "societies which can be registered", but it does not elucidate the contents of Cooperative Principles. Their adoption is reflected in different provisions of the Act.

5.3.10. Just as it is necessary to have a clear concept of what is a cooperative society, it is also essential that the Cooperative Principles as formulated by the ICA and as adopted by the ICA Congress representing 74 cooperative movements of the world should be clearly laid down in all the cooperative laws. *In the matter of concept, the law should be specific and rigid, whereas in the matter of operational aspects, it may be flexible, so as to meet the aspirations of the local people. If law becomes flexible in the matter of conceptual interpretation, there is every likelihood of confusing, diluting or altering the concept.* These Principles have obvious social and economic importance, and

hence need to be clearly understood both by the authorities administering the cooperative law and cooperatives as well as people in general. It is desirable to uniformise concepts in cooperative laws of various countries in the region. The International Cooperative Alliance may advise the respective governments and movements, as one of its important functions is to make clear the actual value, the true principles and to further the true aims of Cooperation.

Conformity of Law with Cooperative Principles

5.4. It may also be stressed that mere incorporation of the Principles is not enough, what is equally important is that the other provisions of cooperative legislation must also be in conformity with the spirit and message of these Principles; otherwise, the very purpose of incorporation would get defeated. It has been observed that the various provisions in the cooperative laws of Japan, Republic of Korea reflect the contents of Cooperative Principles, whereas a number of provisions in the Cooperative Societies Acts of *India, Sri Lanka, Bangladesh* contradict these Principles. All provisions in these Acts relating to subjective satisfaction of the Registrar, power of compulsory amalgamation and division, approval and annulment of the decisions of general body and boards, and enforcement of restrictions of various kinds, on cooperatives and their management pattern, removal of boards and entrustment of management and interest of the cooperatives to the administrators or nominated boards, compulsory restructuring of cooperatives, enforcement of bye-laws etc., amount to non-observance of Cooperative Principles. (*A more detailed study of such contradictions may be necessary to bring about a synthesis between the Cooperative Principles and contents of cooperative legislation as a whole*).

5.4.1 The third aspect relating to Cooperative Principles is adherence to them in practice. In addition to incorporation of the Cooperative Principles in laws and other provisions being in conformity with these Principles, still more important requirement is governments' adherence to these Principles in dealing with cooperatives. It has been observed in certain cases that these Principles are over-looked at times. For instance the membership of certain class of people is enforced through administrative directives, composition of board of directors is changed, directions to advance loans are given, scheme of amalgamation of coopera-

tives is enforced, the decision of general body and board of directors are required to be approved by the government or Registrar of cooperative societies. Thus, the provision in the Act to the effect that the general body is supreme in a cooperative becomes a myth and the sovereignty of members is reduced to nothing in practice. (A more detailed fact-finding study of such deviations in practice may be useful.) All the three aspects, namely incorporation of the Cooperative Principles, conformity of other provisions of the laws and adherence in practice by the government should have complete synthesis for the development and manifestation of basic character of cooperatives.

5.4.2 The Principle of "*cooperation among cooperatives*" has its own significance. Its objective is development of cooperatives as movement and a well integrated economic system. The very federal structure of cooperatives aims towards this end. However, with the exception of the cooperative laws of Japan and Republic of Korea, no law intends to achieve this objective. Whereas the powers, authority and functions of the government have been provided for in the laws, there is no mention of the role which the federal cooperatives have to play in building the cooperative system as such. This is an important omission in the laws of developing countries in the region.

5.4.3 The International Cooperative Alliance has a vital role in this regard, since it is primarily concerned with the preservation, promotion and protection of the true character of cooperatives and operation of the Cooperative Principles formulated and advocated by it. It is a crucial task which the ICA should carry out in collaboration with national cooperative organisations. This would require comprehensive study of each cooperative law and practices in the respective countries, to locate omissions and commissions for further follow-up action.

Effect of Law on Leadership

5.5 Cooperatives are designed and designated as movement. One of the basic constituents and requirement of a movement is leadership. Leadership determines the quality, effectiveness and future of a movement, whatever be its area of concern. Committed and dedicated leadership of the movement is promise of a growing and progressive movement. In a federal structure of the Cooperative Movement, the best leadership emerges from

among the members at the base level, that is, the primary cooperatives through the process of elections, held by the society on time, and democratically.

5.5.1 The cooperative legislations in all the developing countries of Asia prescribe qualifications for persons who can contest election for membership of Board of Directors of a cooperative. The *Malaysian* Cooperative Law (Section 21) (2) prescribes only the national citizenship of Malaysia as the qualification to be a member of board of registered cooperative society. The Republic of *Korea's* Agricultural Cooperative Law prescribes disqualifications of a person, which include non-citizenship of Republic of Korea, minors, persons adjudged incompetent or quasi-incompetent by the court, bankruptcy, those deprived of civil rights, not to be auditor of the society, not to be employee of the society and officer or an employee of other cooperative engaged in any activity which is in competition with business of a cooperative. Likewise, most of the *Indian* cooperative laws prescribe disqualifications of a person for the membership of Board of Directors. In *India*, the laws also prohibit a person to become President of cooperative after two consecutive terms. Some State laws prohibit even the membership of Board of Directors also after two terms. They could be reelected after a lapse of one full term. Some State laws debar a person for ever if he has been Board member for consecutive nine years. This restriction has been incorporated on the assumption that a person shall not have perpetual hold over a cooperative and thereby vested interest will not be allowed to develop. It was further assumed that with this restriction new leadership may emerge in the cooperative field. No empirical evidence is available anywhere to support these assumptions. The Cooperative Law of *Thailand* does not lay down any specific qualifications for persons to be elected or re-appointed as officers or directors of cooperatives.

5.5.2 Desired quality of leadership could not be created or built by laws. Leadership is basically an inherent quality in an individual, which gets manifestation in a proper environment. If that environment is not available, the leadership qualities may remain dormant and subdued.

5.5.3 The cooperative laws, if at all to provide qualifications should lay down certain positive qualifications and conditions to promote and establish an individual's interest and risk in the

cooperative of which he is a member or which he represents at the federation level.

5.5.4 Under the existing provisions, in some countries, a person may get himself elected without actually participating in the business of the cooperative. Through nomination, a person may hold highest office in a biggest cooperative without being a member of a cooperative anywhere. The concept of membership of a cooperative society is that "a person not only needs the services of a cooperative, but also actually makes use of them". In the absence of positive qualifications, it is found that pseudo and fake leadership takes over cooperatives. The provisions of the law should be such as would inspire the participation of individuals in the business of the cooperative.

5.5.5 It should be laid down that only such a person could be Director of the Board, who is a member of the society, has a prescribed minimum of business transaction with the society or have professionally contributed in strengthening the society during the year.

5.5.6 The provisions restricting the holding of office of a cooperative by an individual for more than two consecutive terms can be a hindrance in the growth of competent leadership. Other methods may be adopted to eliminate and weed out the leadership of vested interests in the cooperatives. Otherwise the restrictive provision, even the most dedicated, committed and persons of proven integrity also have to go.

5.5.7 Election is a mechanism through which the leadership emerges. That is why it is necessary that elections in cooperatives must be held on time and conducted in a manner that they are free and fair. Elections and democracy are inseparable.

5.5.8 The responsibility of conducting the elections rests with the cooperatives themselves in Australia, Japan, Indonesia, Thailand, Republic of Korea, Malaysia, Philippines, Singapore, whereas in some countries, the responsibility of holding elections is of the government. The right course would be that the laws prescribe a built-in system, for conduct of the timely elections by cooperatives themselves. One of the rights and responsibilities of the federal organizations should be to ensure that the elections of the constituent members are held on time. In some countries

of the region. non-holding of elections for a long time has become a practice. "No-elections" frustrate the members and leadership. The governments on their part should insist on holding of elections in cooperatives when due.

6. ROLE OF CENTRAL BANK, GOVERNMENTAL & PARASTATAL ORGANISATIONS

6.1 The Central Bank in some of the countries play a significant role in cooperative development. *The Reserve Bank of India* has been deeply involved in this since its very inception. It provided refinancing facilities to the cooperative credit structure at low rate of interest, allowed Cooperative Central Banks (District Level Cooperative Bank) to pay 1/2% more interest on deposits with them and 1% on deposits in the Urban Cooperative Banks; conducted in depth studies on various aspects and problems relating to cooperatives in order to advise the Central and State governments and cooperatives, exercised supervision and control through statutory inspections, disciplined credit policies of cooperatives; organized and conducted training programmes for cooperative personnel; reviewed periodically the performance and progress of cooperatives as a whole and published statistical statements pertaining to cooperatives. Perhaps there is no other country in the world where the Central Bank of the country contributed so much to cooperative development as in *India*. The Government of India has set up recently National Bank for Agriculture and Rural Development (NABARD), which has taken over the above functions of the Reserve Bank so that more concentrated attention may be given. The *Central Bank of Philippines* licenses and supervises the operations of cooperative banks and Cooperative Rural Banks. It participates and helps in the implementation of agricultural credit programmes of the government which includes the cooperatives among its beneficiaries. In DPRK the Central Bank of the country provides credit for cooperative development.

6.1.1 *In Sri Lanka*, the Central Bank makes occasional studies of the Movement with the help of foreign experts. About a year or so ago an officer of the Reserve Bank of India was invited by the Sri Lankan Central Bank to study the credit societies of Sri Lanka. Actually, the Central Bank has not been sufficiently concerned about the development of Sri Lankan Cooperative

Movement. However, recently it has shown interest to develop credit cooperatives to further the efforts of Housing Development Authority. The Central Bank has shown no concern to the changes effected in the credit structure of Sri Lanka. In short, the Central Bank in Sri Lanka plays no part in the development or functioning of cooperatives. *In Republic of Korea*, the relationship between the Central Bank and the agricultural cooperatives is limited to (a) adjust the defined rate of Reservation Fund for withdrawal from deposit at cooperatives (b) regulate the interest rate of deposits and loans (c) loans to federation of agricultural cooperatives.

6.1.2 *The Central Bank of Thailand* (The Bank of Thailand) provides soft loans to the Bank for Agriculture and Agricultural Cooperatives (BAAC), which, in turn, makes loans to agricultural cooperatives as well as farmers in general; provides re-discount facilities at specially low rate to agricultural cooperatives as well as non-cooperative farmers for holding stock of farm products. However, the cooperatives do not use re-discount facility. The Bank is represented in the committee for classification of agricultural cooperatives in accordance with their performance. *In Malaysia*, the Central Bank is said to have no direct role in cooperative development except in areas where cooperatives are involved in banking and financing. In Japan, the Central Bank plays no role.

6.2 Besides, the Central Bank, governmental organisations and parastatal institutions, there have been set up which, inter alia, assist cooperative development in Bangladesh, Bangladesh Rural Development Board—an autonomous organisation, is engaged inter alia, in the development of cooperatives. In India, the Government of India set up through an Act of Parliament National Cooperative Development Corporation (NCDC), which lends funds to State Governments to contribute towards the share capital of cooperatives and finances projects out of its own resources and getting World Bank assistance. NCDC has played an important role in the development of cooperative marketing and processing, storage facilities, and cooperatives for the weaker sections. The other institutions, which are involved in cooperatives are NABARD, the Khadi and Village Industries Commission, State Trading Corporation of India, Cotton Corporation of India, Jute Corporation of India, Coir Corporation of India, Handloom and Handicrafts Corporation, Housing and Urban Development Corporation, Life Insur-

ance Corporation, Industrial Financing Institutions etc. These institutions implemented some of their activities and schemes through cooperatives.

6.2.1 *In Malaysia*, the organisations involved in cooperatives, besides the Cooperative College of Malaysia, are Federal Land Development Authority (FELDA); Federal Land Rehabilitation Authority (FELCRA), Rubber Institute Research Development Authority (RISDA) Fisheries Development Authority (LKIM), and Farmers Organisation Authority (FOA). In Sri Lanka, two such institutions are cooperative Wholesale Establishment and Peoples Bank. There are no such organisations in Japan Korea and Thailand.

7. SOME ISSUES

7.1 It may be concluded from the foregoing description that governments have played major role in introducing cooperatives, building them from the scratch and integrating them with national policies in most Asian countries. The potentialities of cooperatives have been well demonstrated and established. However, the cooperatives at the same time lost heavily their ideological ground and operational autonomy. This happened because the governments' role changed from "friend, philosopher and guide" to that of "manager, controller and director" of cooperatives. In India it is said that the role of the Registrar of cooperative societies is that of "creator, preserver and destroyer" of cooperatives. Cooperatives have grown in size and number, but not the cooperative spirit, in a number of countries. Big cooperatives got birth through registration under cooperative legislation, they also became commercially successful but they lacked features of cooperative, since members were not involved in their working, management and decision-making. Establishment of so called cooperatives is not an end in itself, nor that was the object and intention of the governments. But somehow, distortions have crept into cooperatives.

7.2 It may be said that the first phase of introduction of cooperatives is over. There has been long association and involvement of governments in cooperative development. Therefore :

— *Has not the time come for the governments to leave the cooperatives to develop and function as democratically self-managed peoples' organisations, since, by now, they have*

gathered and gained fair amount of experience in their working?

- *Has not the stage come, where governments initiative, direction and control, which could have been justifiable, in the early stages be withdrawn?*

7.3 *The existing situation in this regard does need serious consideration for a change to promote cooperative character. If that is not done, cooperatives, in many countries, would continue to function as cooperatives only in name and not in character. As a consequence, the younger generation will start taking them as true cooperatives and genuine cooperatives will be looked upon by them as alien. Conscious efforts, therefore, need to be made both by the Governments and the cooperatives to remove the aberrations wherever they have developed, during the remaining decade of the current century, so that a new era in cooperative development ushers in and they do not enter the 21st century with the present legacy. If this is achieved, it will be a great contribution of the present century to the development of cooperatives, which the founders of the Movement struggled and dreamt about in various countries.*

Need for Conducive Environment

7.4 *A good deal of planning is to be made and thinking to be done at various levels to change the direction of the present trend. The very first requirement is creation and development of a conducive environment, based on mutual understanding, in which cooperatives may grow and function with autonomy and independence, while retaining government encouragement and support. Without proper environment, a synthesis in the commercial, and ideological values of cooperatives cannot be visualised let alone and achieved. The basic characteristics of such an environment are that:*

- *people feel motivated to organise cooperatives with spontaneity.*
- *people develop faith in the capabilities of cooperatives to meet their needs,*
- *there is full freedom of participation by members in the*

decision-making about their cooperatives, without outside interference and influence.

- *people have trust in government* and its administrative hierarchy and can approach them for guidance and assistance, without mental obsession or hitch.
- *higher values are accentuated, and*
- *undesirable or incompetent elements are neither trusted nor allowed to exploit or damage the cooperatives.*

7.5 Cooperation is essentially a moral movement with economic objective, ideological base and social contents. If it does not get proper environment, it would not germinate and grow into a big fruitful tree.

7.6 In the creation and building of the needed environment both the governments and the cooperatives will have to be willing and committed partners. Neither the governments nor the cooperatives can do it alone. The object is not to disassociate governments from cooperatives in their development. **When governments' emphasis on improving the condition of rural and urban poor is increasing creation of more employment opportunities, faster rural development etc., cooperatives have a wider horizon for expansion and serving the community. The goal should be to build a harmonious relationship between governments and cooperatives.**

Five Principles

7.7 This relationship has to be developed on the basis of a common understanding. The following *five Principles* would provide basis for such a common understanding:-

1. It is in the interest of national development, governments and the community at large to have strong and self-reliant cooperatives;
2. Cooperative development is the responsibility of the Movement; Government is to assist so as to accelerate the growth and expansion;

3. Observance of Cooperative Principles would be promoted;
4. There would be mutual consultation and agreement between government and cooperatives in regard to formulation of cooperative policies, programmes, and laws effecting cooperatives;
5. Cooperators to work for and observe self-discipline and governments to refrain from political interference in and control over cooperatives.

7.7.1 With the above understanding, the governments and the cooperatives would work hand in hand to build a strong Cooperative Movement. The atmosphere of mutual confidence will emerge, which will accelerate progress towards achieving the government's objective of establishing welfare state and that of the cooperatives to build a self-reliant system to serve the members and community on the basis of self-help and mutual-help.

7.8 *Task for the government* : On the basis of this understanding the role of government in promoting cooperative development may be redefined so as to include the following:

- formulation of national policy in consultation and agreement with cooperatives,
- creation/building of environment for cooperatives to play their full role,
- assistance in building a self-reliant strong cooperative sector to supplement the public and private sectors,
- enactment of progressive cooperative law in conformity with Cooperative Principles,
- de-officialisation and de-politicisation of cooperatives,
- assisting cooperatives to generate and build their own resources,
- assisting cooperatives to build their own management personnel,

- promotion of cooperative values/spirit,
- encouraging development of dedicated cooperative leadership from within the Movement,
- strengthening of cooperatives as a system establishing integrated inter-cooperative linkages,
- promotion of democratic participation of members in the decision making,
- supporting cooperative education and training.

7.8.1 There is nothing new in the above suggestion. In fact the governments of Asian countries are committed for this role by subscribing to ILO Conference Recommendation 127 of 1966, which has been referred to earlier. One part of the Recommendation relating to governments assistance and encouragement to cooperatives is being implemented in all the developing countries of the region. Action is now needed to promote "their independence" and government assistance "in consistence with their cooperative character" and development of "spirit of cooperation". In this context, the following actions be initiated by the governments:

- Place and importance of cooperatives be appropriately incorporated into the Constitution of the country.
- Existing cooperative legislations be reformed. Cooperatives are typically ideological, economic and social institutions. Naturally, therefore, the law governing them should be of a different nature so as to facilitate the objectives of establishing cooperatives. To be specific, the provisions which deeply eroded the autonomy of cooperatives and gave wider powers to the governments to interfere in the management of cooperatives should be repealed and instead such provisions be incorporated that would empower the cooperative structure itself to give directions to cooperatives and bring them under self-discipline. Cooperative laws should incorporate ICA definitions of 'Cooperative' and Cooperative Principles for correct understanding of these concepts. Functions of audit, inspection, supervision, responsibility of elections, etc. should be transferred to cooperatives.

- Cooperatives should be recognised as community institutions. They should be consulted on matters involving them. For instance, while fixing the price of agricultural commodities, the marketing cooperatives be consulted, while fixing the price of manufactured consumer goods, and deciding on other measures for consumer protection the consumer cooperatives be consulted. Not only that they should be consulted but their views and influence should be given due credence and weightage while taking decisions.
- Instead of making direct financial aid in the form of subsidies and grants etc., which prompt and attract unscrupulous elements to organize pseudo cooperatives to avail of the financial aid, the cooperative should be given maximum possible support indirectly and through their federal institutions. This will have a healthy impact in projecting the governments faith in cooperatives in the mind of the public.
- Refrain from making use of cooperatives for the promotion of political interest either of a political party or of individuals.
- A comprehensive national policy on cooperatives should be declared.
- Cooperatives should be involved in planning from village upwards for more realistic and committed planning.
- As a policy, the practice of ex-officio holding of elective offices by government officers should be discontinued.
- Erring individual members of Board of Directors/Office Bearers should immediately be brought to book, instead of dissolving the entire elected Board. In the event of inevitability of removal of Board, the management should be entrusted to the concerned federal organisation.
- Distinguished/dedicated cooperators should be conferred national distinctions and given public recognition for their services, and contribution towards cooperative development to inspire others.
- The government should encourage and assist cooperatives to develop their own key/top management personnel instead

of seconding their own officers.

- Achievements of cooperatives should be projected and publicised through mass media to build the image of cooperatives.
- Well considered curricula on Cooperation should be introduced in general education courses in schools and colleges/universities.
- The most important requirement at government level to build the environment is change in the attitude of administration as a whole. Not only Department of Cooperatives, but the entire national administration should develop positive attitude to support cooperatives. Unless this change is effected, other measures may yield only limited results. One of the measures to be taken is imparting of training in a manner that attitudinal changes take place.
- The cooperatives should also be exempted from the application of other laws, which directly or indirectly affect adversely the business and working of the cooperatives. Such exemptions are provided in some countries. For instance in Japan, the cooperatives are exempted from the application of the Anti-Monopoly Law. Korean Agricultural Cooperatives are exempted from the provisions of the Insurance Business Law, Grain Management Law, Sericultural law, Small Scale Rail Road, Transportation Law, Automobile Transportation Business Law, The Ware Housing Business Law, The Foreign Trade Law.
- The working of public sector enterprises should be such as to strengthen the cooperatives. Competition between the public sector and cooperative enterprises should be avoided.

7.9 Task for Cooperatives: The cooperatives both at the national and international levels have to make significant contribution towards building improved environment for cooperative development. The following are important action points for national cooperatives:-

- Convincing the governments about the need for change in their approach to cooperatives and promoting basic character.
- There should be developed strong links, unity and integration

among the cooperatives, both vertically and horizontally, for commercial purposes and organisational strength, and for ensuring cooperation among cooperatives to build a performance-oriented cooperative system.

- National cooperatives should give special attention to strengthen primary cooperatives, as they are the foundations of the entire structure and serve the individual members, for whom the whole edifice has been built. The leadership germinates and develops at their level.
- Cooperatives should formulate and adopt a code of conduct for the office bearers/Board of Directors to ensure that cooperatives are not misused by them for personal ends.
- Each society should formulate and conduct education programme for its members. Moral and ethical values should be emphasized in the contents.
- National cooperatives should measure their share in each sector of economy and social services and publicise their achievements.
- Profiles of dedicated cooperators should be projected to inspire others.
- Steps should be taken to build arrangement for on-going research in various aspects of cooperatives, including government-cooperative relationship.
- Case studies to assess the impact of elected management and administrators or nominated boards should be conducted, both from the view point of commercial results and basic character of cooperatives.

7.10 *Task for ICA:* At the international level, the International Cooperative Alliance has to play a key role in supporting the process of change in the present situation, since it is the spokesman to guide the development of cooperatives in the right direction in various countries of the region.

7.10.1 In the given background the ICA may consider action on the following:

- There is a need to have a forum in Asia where the representatives of the government, Asian Movements and the International Agencies like FAO, ILO and ICA could meet frequently and discuss the progress and problems of the Cooperative Movements in the Region. A Committee to work out details and constitution of envisaged forum may be constituted. The ICA Regional Office should service this Committee and subsequently the forum.
- The ICA should collect and exchange information, regarding important cooperative developments in the region with governments as well as with member organisations in the region.
- The ICA should make a yearly review of cooperative developments in the Asian region for information of and use by Movements and the governments.
- ICA should try to expand its cooperative development programme with the assistance of donor agencies. Concerned Ministries of the governments and national level cooperative Movement should be fully kept informed about such programmes.
- ICA should formulate "Exposure Programmes" for the cooperative policy makers in the governments of countries of the region to acquaint them with the developments and working of cooperatives.

7.11 To conclude, it is re-iterated that a more congenial atmosphere is essential for the development of cooperatives in the region especially in the developing countries. Cooperatives should be assisted to develop themselves as self-help peoples organisations, ensuring at the same time that they are not misused for political gains by any. An understanding between the government and cooperatives is necessary to bring about a change where necessary, in the existing situation. Willful action is needed on the part of governments and cooperatives at national and international levels.

Issues for Consultation

7.12 The Consultation may:

- i. review the present government-cooperative relationship in various countries,
- ii. consider need of change in government's role in the Asian region, if any,
- iii. formulate principles for developing mutual understanding and developing harmonious relationship between government and cooperatives,
- iv. action to be taken for adoption of the principles for understanding,
- v. suggest mechanism and forum at different levels to resolve distortions, as and when they arise.

INTERNATIONAL LABOUR CONFERENCE

Recommendation 127

RECOMMENDATION CONCERNING THE ROLE OF COOPERATIVES IN THE ECONOMIC AND SOCIAL DEVELOPMENT OF DEVELOPING COUNTRIES

“The General Conference of the International Labour Organisation,

“Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fiftieth Session on 1 June 1966, and

“Having decided upon the adoption of certain proposals with regard to the role of co-operatives in the economic and social development of developing countries, which is the fourth item on the agenda of the session, and

“Having determined that these proposals shall take the form of a Recommendation,

“adopts this twenty-first day of June of the year one thousand nine hundred and sixty-six the following Recommendation, which may be cited as the Co-operatives (Developing Countries) Recommendation, 1966:

I. Scope

“1. This Recommendation applies to all categories of co-operatives, including consumer co-operatives, land improvement co-operatives, agricultural productive and processing co-operatives, rural supply cooperatives, agricultural marketing co-operatives,

fishery co-operatives, service co-operatives, handicrafts co-operatives, workers productive co-operatives, labour contracting co-operatives, co-operative thrift and credit societies and banks, housing co-operatives, transport co-operatives, insurance co-operatives and health co-operatives.

"II. OBJECTIVES OF POLICY CONCERNING COOPERATIVES

"2. The establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries.

3. In particular, co-operatives should be established and developed as a means of:

- (a) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;**
- (b) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;**
- (c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;**
- (d) increasing national income, export revenues and employment by a fuller utilisation of resources, for instance in the implementation of systems in agrarian reform and of land settlement aimed at bringing fresh areas into productive use and in the development of modern industries, preferably scattered, processing local raw materials;**
- (e) improving social conditions, and supplementing social services in such fields as housing and, where appropriate, health, education and communications;**
- (f) helping to raise the level of general and technical knowledge of their members.**

4. Governments of developing countries should formulate and carry out a policy under which co-operatives receive aid and

encouragement, of an economic, financial, technical, legislative or other character, without effect on their independence.

5. (1) In elaborating such a policy, regard should be had to economic and social conditions, to available resources and to the role which co-operatives can play in the development of the country concerned.

(2) The policy should be integrated in development plans in so far as this is consistent with the essential features of co-operatives.

6. The policy should be kept under review and adapted to changes in social and economic needs and to technological progress.

7. Existing co-operatives should be associated with the formulation and, where possible, application of the policy.

8. The co-operative movement should be encouraged to seek the collaboration in the formulation, and where appropriate, application of the policy, of organisations with common objectives.

9. (1) The governments concerned should associate co-operatives on the same basis as other undertakings with the formulation of national economic plans and other general economic measures, at least whenever such plans and measures are liable to affect their activities. Co-operatives should also be associated with the application of such plans and measures in so far as this is consistent with their essential characteristics.

(2). For the purposes provided for in Paragraph 7 and paragraph 9, sub paragraph (1), of this Recommendation, federations of co-operatives should be empowered to represent their member societies at the local, regional and national levels.

III. METHODS OF IMPLEMENTATION OF POLICY CONCERNING COOPERATIVES

A. LEGISLATION

10. All appropriate measures, including the consultation of existing cooperatives, should be taken—

- (a) to detect and eliminate provisions contained in laws and regulations which may have the effect of unduly restricting the development of co-operatives through discrimination, for instance in regard to taxation or the allocation of licences and quotas, or through failure to take account of the special character of co-operatives or of the particular rules of operation of co-operatives;
- (b) to avoid the inclusion of such provisions in future laws and regulations;
- (c) to adapt fiscal laws and regulations to the special conditions of co-operatives.

11. There should be laws or regulations specifically concerned with the establishment and functioning of co-operatives, and with the protection of their right to operate on not less than equal terms with other forms of enterprises. These laws or regulations should preferably be applicable to all categories of co-operatives.

12. (1) Such laws and regulations should in any case include provision on the following matters:

- (a) a definition or description of a co-operative bringing out its essential characteristics, namely that it is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the member actively participate;
- (b) a description of the objects of a co-operative, and procedures for its statutes, and its dissolution;
- (c) the conditions of membership, such as the maximum amount of each share and, where appropriate, the proportion of the share due at the moment of subscription and the time allowed for full payment, as well as the rights and duties of members, which would be laid down in greater detail in the by-laws of co-operatives;

- (d) methods of administration, management and internal audit, and procedures for the establishment and functioning of competent organs;
- (e) the protection of the name "co-operative";
- (f) machinery for the external audit and guidance of co-operatives and for the enforcement of laws and regulations.

(2) The procedures provided for in such laws or regulations, in particular the procedures for registration, should be as simple and practical as possible, so not as to hinder the creation and development of co-operatives.

13. Laws and regulations concerning co-operatives should authorise co-operatives to federate.

B. EDUCATION AND TRAINING

14. Measures should be taken to disseminate a knowledge of the principles, methods, possibilities and limitations of co-operatives as widely as possible among the peoples of developing countries.

15. Appropriate instruction on the subject should be given not only in co-operative schools, colleges, and other specialised centres but also in educational institutions such as:-

- (a) universities and centres of higher education;
- (b) teachers' training colleges;
- (c) agricultural schools and other vocational educational establishment and workers' education centres;
- (d) secondary schools;
- (e) primary schools.

16. (1) With a view to promoting practical experience in co-operative principles and methods, the formation and operation of student co-operatives in schools and colleges should be encouraged.

(2) Similarly, workers' organisations and craftsmen's associations should be encouraged and helped in the implementation of plans for the promotion of co-operatives.

17. Steps should be taken, in the first place at the local level, to familiarise the adult population with the principles, methods and possibilities of co-operatives.

18. Full use should be made of such media of instruction as textbooks, lectures, seminars, study and discussion groups, mobile instructors, guided tours of co-operative undertakings, the press, films, radio and television and other media of mass communication. These should be adapted to the particular conditions of each country.

19. (1) Provisions should be made both for appropriate technical training and for training in co-operative principles and methods of persons who will be-and, where necessary, of persons who are-office-bearers or members of the staffs of co-operatives, as well as of their advisers and publicists.

(2) Where existing facilities are inadequate, specialised colleges or schools should be established to provide such training, which should be given by specialised teachers or leaders of the co-operative movement with teaching materials adapted to the requirements of the country; if such specialised institutions cannot be established, special courses on co-operation should be given either by correspondence or in such establishments as schools of accountancy, schools of administration and schools of commerce.

(3) The use of special programmes of practical training should be one of the means contributing to the education and basic and further training of members of co-operatives; these programmes should take into account local cultural conditions, and the need to disseminate literacy and knowledge of elementary arithmetic.

C. AID TO COOPERATIVES

Financial Aid

20. (1) Where necessary, financial aid from outside should be given to co-operatives when they initiate their activities or encounter financial obstacles to growth or transformation.

(2) Such aid should not entail any obligations contrary to the independence or interests of co-operatives, and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives.

21. (1) Such aid should take the form of loans or credit guarantees.

(2) Grants and reductions in or exemptions from taxes may also be provided, in particular, to help finance—

(a) publicity, promotional and educational companies;

(b) certain clearly defined tasks in the public interest.

22. Where such aid cannot be provided by the co-operative movement, it should preferably be given by the State or other public bodies, although it may, if necessary, come from private institutions. Such aid should be coordinated so as to avoid overlapping and dispersal of resources.

23. (1) Grants and tax exemptions or reductions should be subject to conditions prescribed by national laws or regulations and relating in particular to the use to be made of the aid and the amount thereof;

(2) The competent authority should ensure that the use of financial aid and, in the case of a loan, its repayment, are adequately supervised.

24. (1) Financial aid from public or semi-public sources should be channelled through a national co-operative bank or, failing that, another central co-operative institution capable of assuming responsibility for its use and, where appropriate, repayment; pending the establishment of such institutions the aid may be given directly to individual co-operatives.

(2) Subject to the provisions of Paragraph 20, subparagraph (2), of this Recommendation, financial aid from private institutions may be given directly to individual co-operatives.

ADMINISTRATIVE AID

25. While it is essential that the management and administration

of a cooperative be, from the outset, the responsibility of the members and persons elected by them, the competent authority should, in appropriate cases and normally for an initial period only-

(a) assist the co-operative in obtaining and remunerating competent staff;

(b) place at the disposal of the co-operative persons competent to give guidance and advice.

26. (1) Generally, co-operatives should be able to obtain guidance and advice, which respect their autonomy and the responsibilities of their members, their organs and their staff, on matters relating to management and administration, well as on technical matters.

(2) Such guidance and advice should preferably be given by a federation of co-operatives or by the competent authority.

D. SUPERVISION AND RESPONSIBILITY FOR IMPLEMENTATION

27. (1) Co-operatives should be subject to a form of supervision designed to ensure that they carry on their activities in conformity with the objects for which they were established and in accordance with the law.

(2) Supervision should preferably be the responsibility of a federation of co-operatives or of the competent authority.

28. Auditing of the accounts of cooperative affiliated to a federation of co-operatives should be the responsibility of that federation; pending the establishment of such a federation, or where a federation is unable to provide this service, the competent authority or a qualified independent body should assume the task.

29. The measures referred to in Paragraph 27 and 28 of this Recommendation should be so planned and carried out as to-

(a) ensure good management and administration of co-operatives;

(b) protect third parties;

(c) provide an opportunity of completing the education and

training of the office-bearers and members of the staff of co-operatives through practice and through critical examination of mistakes.

30. (1) The functions of promoting cooperatives, providing for education concerning co-operatives and for the training of office-bearers and members of the staff of co-operatives, and giving aid in their organisation and functioning, should preferably be performed by one central body so as to ensure coherent action.

(2) The performance of these functions should preferably be the responsibility of a federation of co-operatives; pending the establishment of such a body the competent authority or, where appropriate, other qualified bodies, should assume the task.

31. (1) The functions referred to in Paragraph 30 of this Recommendation should, wherever possible be discharged as fulltime work.

(2) They should be performed by persons who have received training specifically directed towards the exercise of such functions; such training should be provided by specialised institutions or, whenever suitable, through specialised courses in school and colleges referred to in Paragraph 19 of this Recommendation.

32. The competent authority should collect and publish at least once a year a report and statistics relating to operations and growth of co-operatives in the national economy.

33. Where the services of federations of co-operatives or of other existing institutions cannot adequately meet the need for research, exchanges of experience and publications, special institutions, serving the entire country or several regions, should, if possible, be established.

IV. INTERNATIONAL COLLABORATION

34. (1) Members should, to the greatest extent possible, collaborate in providing aid and encouragement to co-operatives in developing countries.

(2) Such collaboration should be envisaged-

- (a) between developing countries;
- (b) between countries of a particular region, especially within the framework of regional organisations, where such exist; and
- (c) between countries with an old-established co-operative movement and developing countries.

(3) As appropriate, the help of national co-operative organisations should be enlisted for such collaboration, and use should be made, particularly with a view to the coordination of international effort, of international co-operative organisations and other interested international bodies.

(4) The collaboration should extend to such measures as-

(a) the increased provision of technical assistance to the co-operative movement of developing countries, wherever possible in the form of coordinated programmes involving different agencies, both inter-governmental and non-governmental;

(b) the preparation and supply of information, textbooks, audio-visual aids and analogous material to assist in the drafting of legislation, in instruction on co-operation and in the training of office-bearers and qualified staffs of co-operatives;

(c) the exchange of qualified personnel;

(d) the grant of fellowships;

(e) the organisation of international seminars and discussion groups;

(f) the inter-co-operative exchange of goods and services;

(g) the initiation of systematic research into the structure, working methods and problems of co-operative movements in developing countries.

V. SPECIAL PROVISIONS CONCERNING THE ROLE OF CO-OPERATIVES IN DEALING WITH PARTICULAR PROBLEMS

35. It should be recognized that co-operative may, in certain circumstances, have a special role to play in dealing with particular problems of developing countries.

36. Suggestions illustrating the use which may be made of various forms of co-operatives in the successful implementation of agrarian reform and in the improvement in the level of living of the beneficiaries are set forth in the Annex to this Recommendation.

KEYNOTE ADDRESS

KEY-NOTE ADDRESS

S.S. PURI*

Mr. Chairman, distinguished cooperatos, ladies and gentlemen

1. I am indeed greatly honoured that the International Cooperative Alliance, particularly its Regional Office for Asia, has extended an invitation to me to address this Regional Consultation on the Role of Government in Promoting Cooperative Development. Professionally speaking, I have been out of touch in the recent past with cooperative developments in various countries of the Region as I have been mainly concerned with the broader aspects of food and agricultural development rather than the very specific developments in the cooperative sector. Hence it is with some diffidence that I accepted ICA's invitation to speak to you this morning. I am indeed very happy to be in the midst of several friends and colleagues whom I have known in various capacities in the Cooperative Movements, as well as cooperative departments in various countries of the Region.

2. COMPLIMENTS TO ICA FOR ITS INITIATIVE

2.1 Mr. Chairman, I would like to begin by expressing my sense of gratification and very pleasn't surprise at the initiative taken by ICA Regional Office in convening this Consultation. I am deliberately using the word "pleasant surprise" because, in the past, generally speaking, ICA tended to be more occupied with the question of how to keep government at an arm's length from cooperatives. Personally speaking, I did not think that this was a very desirable attitude on the part of ICA. However, it was quite understandable that the orthodox cooperative opinion

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was not much concerned with the role of government in cooperative development. This was partly an expression of the history of the relationship between cooperatives and the government in several western countries where the Cooperative Movement originated and developed.

2.2 I would like to elaborate this point a little. While in some of the western countries the State took an attitude of active helpfulness, most other countries witnessed an attitude of either indifference or of wilful antagonism. For instance, in Denmark, the official policy was neither to help nor to hamper cooperative societies. I may also add that, even now, Denmark has no special cooperative legislation. Consequently, primary cooperatives in Denmark have to operate within the framework of the ordinary law governing contracts. In Great Britain, there was a significant period when the government and the Parliament were blatantly unfavourable to cooperative institutions. This was particularly so towards the close of the first World War when fiscal legislation was enacted. It was in this context that cooperative institutions of Great Britain were forced to enter politics and to set up a cooperative party for fighting elections to the British Parliament. In some states in U.S.A., the legislation on cooperatives does not permit one-member-one-vote but obliges cooperatives to adopt voting practice of private joint stock companies.

2.3 As one surveys the history of growth of cooperatives in western countries, it appears that, generally speaking, the cooperative institutions did not receive much positive support from government and were, therefore, obliged, as a matter of necessity, to adopt a policy of self-reliance. Over the years, the orthodox cooperators made a virtue of this necessity and came to look upon cooperatives as important agencies for economic development themselves. In other words, the role of government in cooperative development was conceived as being minimal. When the Cooperative Movement was initiated in the earlier 20th century in different countries of Asia, the hangover of this philosophy was very much visible. It appears to me that ICA continued to embody this hangover and, therefore, continued to look upon the role of government in promoting cooperative development as a sort of a taboo. In this background, I am happy to note that, at long last, ICA is breaking a new ground and has today sponsored a Consultation on identifying the role of government in promoting cooperative development. I would

like to congratulate Mr. G.K. Sharma and his colleagues in ICA on this far-reaching initiative.

3. REASONS FOR GOVERNMENT'S ROLE IN COOPERATIVE DEVELOPMENT

3.1 From the title of this Consultation, I assume that it is generally implied that government does have a legitimate role in promoting cooperative development. Nonetheless, Mr. Chairman, I would like to spend some time trying to identify some of the reasons why it is necessary and desirable for government to promote cooperative institutions. In my view, these reasons can be broadly divided into three categories, namely: (i) economic reasons, (ii) social reasons, and (iii) political reasons. I would like to say a few words by way of elaboration.

Economic Reasons for Promotion of Cooperatives

3.2 As far as economic reasons are concerned, it appears to me that the government's interest in cooperative institutions arises from the fact that governments, generally speaking, find in cooperative institutions an important set of agencies for the economic development of the country. I may add that this particular recognition is not entirely peculiar to countries of Asia. Even in some of the western countries, at some point of time, the usefulness of cooperative institutions as instruments for economic growth was distinctly recognized. For instance, in U.S.A., during the post-Depression period, the Federal Administration of President Roosevelt provided massive support to certain types of cooperatives such as rural electrification cooperatives and farmers cooperatives in the field of agricultural credit. In 1937, one of the top American cooperators surveyed the American scene and summed up his appraisal in the following words: "No government has ever done for the cooperative movement what this government has done and is doing."

3.3 There are many reasons why governments tend to look upon cooperatives as important agencies for economic development. Firstly, there are several sectors which are economically underdeveloped and where ordinarily private sector enterprises with their strong preoccupation with economic calculus are disinclined to enter. For instance, in the middle of the 30s,

President Roosevelt found electrification of rural areas in U.S.A. to be one sub-sector. The private electric utilities did not consider it profitably worthwhile to go into rural areas and retail electricity. It is in this context that President Roosevelt set up in U.S.A. a federal agency called the Rural Electrification Administration (REA) and charged it with the responsibility of promoting and funding a large network of rural cooperatives which took over the responsibility of distributing and retailing electricity in the rural areas. It is significant that, even today in U.S.A., more than three-fourths of rural electricity distribution is accounted for by rural electrification cooperatives.

3.4 Coming to the developing countries of Asia, until recently, there were many sub-sectors of rural economy where private sector institutions were not keen on entering. For instance, private banks were generally unwilling to take up responsibility for disbursing agricultural credit. Similarly, in the initial stages, when fertilizer usage was at a very low level, there were thousands and thousands of villages in different countries of Asia where no one except the cooperative was willing to take on the responsibility of procuring and retailing fertilizer. Later on, of course, private sector agencies invariably turned up but, in many cases, the initial leg work had to be done by cooperative institutions because of their relatively strong orientation in favour of serving their members' economic interest.

3.5 Experience has shown that cooperatives, as a form of organization, have a number of distinct advantages in handling several economic activities such as agricultural credit and banking, agricultural input production and distribution, agricultural marketing, agricultural processing, distribution of consumer goods, housing, etc., etc. It is, therefore, not surprising that, in several countries of the Region, cooperatives have a very significant share of the total activities in several of these sectors.

Social Reasons for Governments' Interest in Promotion of Cooperatives

3.6 Coming to the social reasons why governments take interest in promotion of cooperatives, I would like to quote from the Articles which govern the International Cooperative Alliance. Article I of ICA Rules lays down that "ICA seeks to substitute,

for the profit-making regime, a cooperative system organized in the interest of the whole community and based upon mutual self-help." This statement of the objectives of cooperative development is particularly relevant to developing countries of Asia. In these countries, while there is tremendous potential for economic development, the structure of their economy and the society often bristles with glaring inequalities with the result that there is tremendous room for economic and social exploitation. In the case of cooperatives, several features such as one-member-one-vote, membership open to actual producers, consumers and workers rather than investors of capital enable cooperative institutions to serve as agencies for promoting more egalitarian production and distribution of income and, therefore, promoting overall social justice.

Political Reasons for Governments' Interest for Promoting Cooperatives

3.7 In several countries, political considerations also weigh with governments in championing the cause of cooperative institutions. This has been noticeably visible in some countries of the African Region. For instance, in Kenya, an official Document on Cooperative Policy, issued in 1975, pointedly referred to consumer cooperatives playing an important role in the implementation of government policy of Africanization of retail trade. The Kilimanjaro Native Cooperative Union, which has a leading place in the cooperative institutions of East African countries, was essentially set up with a view to help in indigenization of foreign trade.

3.8 In some countries, while the governments' reason for promoting cooperatives may not be strictly political, it is prone to be somewhat semi-political or administrative in character. In other words, cooperatives are sought to be promoted as a convenient tool for giving effect to a state policy or programme. This is particularly so in land reform programme or subsidized distribution of consumer goods.

4. COOPERATIVES AND ECONOMIC PLANNING

4.1 One of the factors which lends special significance to the role of cooperatives in national development is the relationship between cooperation and economic planning. In several developing countries which have embarked upon an era of planned

development, cooperation has been assigned a significant place. In India, the Planning Commission has spoken of cooperation as "an indispensable instrument of planned economic action in a democracy." A similar recognition is also in evidence in several other countries.

4.2 It is essential to recognize the intimate manner in which cooperative structure and operations have the potential for being allied to the planning process. If planning is based on a high degree of centralization and bureaucratization in decision making, cooperation may not have much of a role. If, however, planning is sought to be undertaken, as in most developing countries, on the basis of popular participation and decentralized decision making, cooperation inevitably deserves to be assigned a high place. The inter-connection is best described by an eminent planner in the following words: "In my opinion, the planning process is a two-way process. It is a process which takes note of local circumstances, local possibilities and local capacities and takes note of the overall possibilities and objectives of economy. This two-way process of conveying overall aims to the locality and conveying local knowledge to the centre is significantly possible in an integrated manner in the cooperative system. The cooperative system has at its base the primary which is essentially a local unit and it has at appropriate stage, for each function to be performed at the upper level, a higher tier federal authority. It is such a cooperative system that can lend itself to decentralized planning."

5. VARIETY OF GOVERNMENT ROLES

5.1 In the working and development of cooperatives, government tends to have a variety of roles. These can be broadly divided into regulatory role and promotional role. As far as promotional role is concerned, I have already indicated some of the reasons which prompt the government to undertake a benevolent interest in the establishment, working and development of cooperative institutions. As regards the regulatory role, this role apparently arises out of the responsibility which a modern state assumes in regard to all bodies in whose incorporation the government has provided necessary legislative framework. I need hardly mention that, even in regard to purely private joint stock companies in most countries, the company laws place in the government a great deal of regulatory and supervisory functions.

In the case of cooperative institutions, unfortunately, there appears to be a lack of suitable balance between the regulatory role and the promotional role. According to one very informed judgment, governments in most developing countries in Asia tend "to overadminister and underfinance" cooperatives. This is perhaps a rather simplistic statement but it indicates that the regulatory role is prone to gain prominence while the promotional role is likely to be relegated to the background.

Promotional Role of Government

5.2. The role of government in promoting cooperative institutions manifests itself in various forms. I notice that the Regional Paper circulated by the Secretariat for this Consultation gives a fairly comprehensive statement of the various forms of state aid which governments usually provide to cooperatives in many developing countries in the Asian Region. These include aids for initial promotion of cooperative institutions. Governments also play an active role in assisting cooperatives in regard to cooperative education and training. There is also a significant measure of financial assistance in the forms of loans and subsidies. In several countries, governments have also extended fiscal and various other tax concessions to cooperative businesses. All these aspects have been fairly comprehensively dealt with in the Regional Paper circulated by the ICA consultant. It is, therefore, not necessary for me to go into the details of these aspects of the promotional role of government. There is only one aspect about which I would like to offer some elaboration in detail. This aspect concerns the role of government in formulation of cooperative development policies and plans.

6. GOVERNMENT ROLE IN FORMULATION OF COOPERATIVE DEVELOPMENT POLICIES AND PLANS

6.1 Before referring to the role of government in policies and plans for cooperative development, I would like to note that there are some apparent question marks about this role. By definition, cooperative institutions are conceived as voluntary institutions. It is, therefore, pertinent to ask whether any government planning or policy making for cooperative development is compatible with this basic characteristic. To many cooperators, the answer to this question is quite firmly in the negative. May I recall that, when the Royal Commission on Cooperative Movement

in Ceylon was functioning, the memo submitted by the Cooperative Federation of Ceylon specifically suggested that the government should change the name of the department from that of Cooperative Development Department to merely Cooperative Department. In other words, the thrust of that memorandum was that it should be recognized that government as such has no business to be concerned with cooperative development policies and plans.

6.2 In this connection, I would like to say that, in most developing countries of Asia, the national development Plan is usually an indicative plan which spells out broad dimensions and trends of national development. But its very nature, such an indicative Plan is not confined to merely government enterprises and government-operated activities but also covers private sector and cooperative sector activities. That is why the Plan invariably gives indication of future trends and patterns of agricultural and industrial development as well as macro-economic trends of income and employment. In my view, in this context, it is only appropriate if the national planners also seek to elaborate the role expected of cooperatives in different sectors, more particularly agricultural credit, agricultural input supply, agricultural marketing, distribution of consumer goods, housing, etc., etc.—all sectors in which *prima facie* cooperative form of organization has an eminent role to play.

6.3 Coming to the question of cooperative policy, I would like to mention that the enunciation of the cooperative development policy may not always take the shape of a full-fledged document or statement. Very often, it is only a component of a national development policy statement. For instance, only recently, in Indonesia, the new guidelines of state policy were enunciated by the supreme national body of the country. These guidelines of state policy contain a number of significant references to the national policy concerning the structure, functioning and development of cooperatives. Similarly, in several other countries of Asia, it is customary for the National Five-Year Development Plan to incorporate a chapter or a section relating to cooperative development programmes and policies concerning cooperative institutions. This is done mainly because cooperative development is conceived as an integral part of the development of the national economy.

6.4 One of the common grievances of cooperative leadership,

as far as I am aware, lies in the fact that national cooperative policy is often not made cooperatively. In other words, cooperative policy is sometimes prone to be made by government almost by itself. Fortunately, this tendency is getting changed and there is a growing need for collaboration between cooperative institutions and the relevant government agencies concerned with formulation of national development plans and national development policies. I do hope this tendency will get stronger and stronger in coming years. In this connection, I would also urge governments in Asia to consider evolving mechanisms such as the National Cooperative Development Corporation in India to which government provides money for a national cooperative development fund and in whose Board of Management, besides government representatives, representatives of cooperative institutions are also included. Through such a mechanism, it is possible to introduce partnership between governments and cooperatives in formulation of cooperative policies and in planning for cooperative development. In my view, it is only through an imaginative partnership of this kind that a viable and satisfactory relationship between government and cooperative institutions can be built up.

7. RELATIONSHIP OF GOVERNMENT AND COOPERATIVES AT MICRO LEVEL

7.1 Before I conclude, I would like to refer to one more matter, namely, relationship of government and cooperative institutions at the micro level. It appears to me that, at the macro level, it is not so difficult to articulate a satisfactory statement of government's role *vis-a-vis* Cooperative Movement. The real problem perhaps lies at the level of individual government officer in his dealings with individual cooperative societies. Irrespective of the content of the national cooperative policy, the individual government officers tend to be bossy while dealing with individual cooperatives. This tendency perhaps is not peculiar to cooperatives. The tendency also extends to private sector institutions. Often, private companies have their own long tales of woe in connection with their dealings with officers of individual government departments.

7.2 This problem of relationship between government officials and cooperatives at the micro level is a rather complex one and has many dimensions. In my view, the solution to this problem

also cannot be uni-dimensional. A great deal of reorientation of government personnel is necessary and will have to be undertaken. At the same time, cooperatives must acquire ability to recruit and retain professional manpower which can match government manpower. When cooperative institutions are manned by outstanding staff, in my view, is likely that government officials will be more inclined to look upon cooperatives with due respect. In this context, my strong recommendation to the Cooperative Movements in different countries of Asia would be that they must find ways and means of having personnel who are as good, if not better, than those found within government departments and government bureaus. It is only when the equilibrium shifts in favour of cooperatives that the cooperative institutions will come into their own. I am happy to note that, in some of the successful cooperative organizations in Asia, such as NACF in the Republic of Korea, and several large cooperative organizations in India and elsewhere, there is a growing stress on professional management of cooperative institutions. This presupposes availability of adequate professional talent within the fold of cooperatives. In modern times with cooperative businesses becoming quantitatively large and qualitatively complex, cooperative leaders and members must learn to review their traditional attitude to management, operation and administration of cooperative institutions. On this point, I would like to endorse the following comments of an eminent cooperator:—

“It is a clumsy use of democracy to interfere in the work of managers. Democracy should consist of a system where the guidelines of policies are set down by elected bodies but where the actual decisions are left to professional management.”

COUNTRY PAPERS

ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN AUSTRALIA

BRUCE GUN*

1.1 There are a number of factors enumerated below which must be taken into account and understand that Australia's contribution to the discussion of the above is somewhat limited. In the first place, ever since Cooperation began, the government has had little role and there has been very little need or possibility of that, by the Federal Government.

1.2 However, the activities and developments in one or two States of Australia may strike a chord of similarity or interest in the context of the Asian developing countries and their movements.

1.3 While considering this it is still important to list the factors that would exclude Australia from the mainstream of the discussion. They are:

- I) Australia is a highly developed country and its cooperatives and their operations are in the category of movements in the advanced countries of the world.
- II) Cooperatives have a long history and were initiated by individuals or others in the agricultural sector. From the data collected it has been identified that there are 408 registered agricultural cooperatives in operation with a total membership of approximately 3,40,000 assets of \$ 27 billion, share capital of AUD 506 million and a sales turnover of AUD 3 billion. These agricultural cooperatives have achieved their success through the industry and efforts of primary

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- producers and government has played no role whatsoever in their development.
- III) Australia has a federal structure of democratic government and the states and territories are responsible for the registration, administration and supervision of cooperatives. There is no cooperative law or administrative unit of cooperation at the Federal level.
 - IV) The different states have different approaches or attitudes towards the Cooperative Movement as reflected by their respective legislation.
 - V) Different elected governments have shown different levels of interest and whenever a Labour Government is in power it has taken an active look at Cooperation and its development. The history of New South Wales and Victoria shows this particularly in relation to Community Advancement Cooperatives and Aboriginal Cooperatives.
 - VI) Australia is such a large island continent that it is extremely difficult and expensive to make a serious study of its cooperative activities. There is near total lack of data and statistics available from Cooperative Departments in the states and from cooperatives themselves. Consequently the Federal Government has not been able to fairly assess and arrive at the scope of development and direction of the cooperative sector as a whole.
 - VII) There has been no effective national organisation until the formation of the AAC to represent, monitor and provide leadership to the very highly fragmented, widely dispersed and individualistic cooperative sector. The AAC formed only about 2 years ago is undertaking this role effectively and gaining support and recognition which is a major boost to the concept of the Cooperative Movement as the third sector in the Australian economy.

The AAC is a member of the ICA and the exposure to the international family is expected to achieve further recognition for the Co-operative sector.

It is also hoped that through the AAC's operations the

appropriate data and information on Australian Cooperatives will be properly documented in the future.

1.4 In these circumstances for whatever benefit or usefulness it may be best to summarise the legislation in existence in some of the states and the roles played by them, where relevant, in cooperative development.

1.5 As mentioned earlier the states and territories of Australia have their own legislation and administration for cooperative affairs. **Victoria, New South Wales, Queensland, Western Australia, south Australia, Tasmania and the Territories: Northern Territory and Australian Capital Territory.**

1.6 In Queensland Agricultural Cooperatives have their own legislation to cover their registration, administration and supervision.

1.7 At the Federal level through the Income Tax Assessment Act 1936 the Federal Government provides tax privileges to cooperatives by defining cooperatives and the manner of their operations to be eligible for the tax privileges. Among other things to be eligible cooperative must conduct 90% or more of its business among its members.

1.8 In New South Wales the Act in force is the Cooperation Act of 1923 which was thoroughly overhauled in 1988 by the Labour Government to protect cooperatives from being taken over by private groups and to ensure and encourage active membership. Through the new legislation and initiatives by the government which included the setting up of a Ministerial Council on future directions made up 30 members—20 from cooperative sector and 10 from government departments—support and recognition for Cooperation as the 3rd sector in the economy has been established. The Ministerial Council's role has been primarily to give a sense of direction and unification to the Movement. This initiative coming from the government, of course, has its pitfalls.

1.9 The asset base of cooperatives in New South Wales is over \$10 billion and a turnover of \$7.5 billion. The developments in New South Wales, where quite a few significant cooperatives had been taken over by private groups through manipulation

of weaknesses in the law over share holding, prompted the introduction of new legislation which was welcomed by the Cooperative Movement.

1.10 These loopholes and weaknesses exist in all other states and take overs of large cooperative industries including agricultural, financial and insurance sectors are still going on. Other states have been slow to follow the legislative example of N.S.W., though Victoria has legislation pending in its Parliament.

1.11 In New South Wales the government has increased its resources to support cooperative promotion and development through the Department of Cooperative Societies. Cooperatives also receive direct assistance from various government agencies including the Department of Youth and Community Services. Community Advancement Cooperatives are the primary beneficiaries of the assistance and form the groups of cooperatives that are more often government initiated and receiving financial assistance and other support facilities including guarantees.

1.12 The government also sponsors, organises, and funds Aboriginal Cooperatives. There are altogether 509 Community Advancement Societies including 20 Aboriginal Societies in the states. Another group where there is direct promotion and assistance provided by the government is the workers cooperatives.. The assistance and resources are provided through the Workers Enterprise Corporation set up by the government. There are also various other forms of assistance, support and involvement by the government in cooperative promotion and development in New South Wales, which has a total of about 1,360 cooperatives claiming a membership of about 5 million.

1.13 The other key and significant state which has a large number of cooperatives about 1,300 is Victoria. Victoria also under a Labour Government has laid emphasis and shown interest in the promotion and development of Cooperation. A cooperative development unit in the Registrar's Office is a reliable reflection of this interest and support. Like in N.S.W. there is a Ministerial Advisory Committee to enhance, encourage and develop Cooperation as the 3rd sector of the economy.

1.14 The 1,300 societies have an asset base of about 1.38 billion and a membership of nearly 750,000. Like in N.S.W. the

government has new legislation to protect and promote Cooperation as per recommendations of the Ministerial Advisory Committee. Again, the main concern of cooperatives is to prevent their takeover by private groups and they hope the new legislation will prevent this in the future. Of the 1,300 Cooperatives nearly half of them are Community Advancement Cooperatives and Aboriginal Cooperatives which receive significant support assistance and encouragement from the government.

1.15 Victoria and New South Wales together have the predominance of cooperative activity in Australia. While there are significant individual cooperative organisations in the other states and Territories there is not much input and/or role by the governments of these states and territories to merit mention or study.

1.16 It should be said, in conclusion, that the establishment growth, and role of the national umbrella organisation, the Australian Association of Cooperatives will have a pronounced and unifying effect for the betterment of cooperative development both nationally and internationally. Its representative status would prompt state governments and the federal government to expedite recognition to the deserved role and place of cooperatives in the national social economic structure.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN BANGLADESH

MD. HASINUR RAHMAN*

1. INTRODUCTION:

1.1 Bangladesh is a deltaic land, which is mostly flat and alluvial situated at the north-eastern part of South Asia. It comprises an area of 143998 sq. km and has a population of over 106 million. It has 68,000 villages where more than 90% of its people live and depend on agriculture for their livelihood. It is one of the developing countries of the 3rd world.

1.2 Under the present dynamic leadership of President Hussain Muhammad Ershad Bangladesh is striving for over all economic development and specially for improvement in the living condition and standards of its vast rural people. This improvement depends, to a great extent, on the increase in production, creation of income generating activities and positive harnessing of human resources particularly in the rural areas through cooperative participation of the people. The government has, therefore, very thoughtfully adopted cooperatives as one of the most important and useful tools for national development. As a matter of fact, cooperatives have been recognised in the Constitution of Bangladesh as the third sector side by side with the public and private sectors of the economy.

1.3 The government, thus, has the constitutional obligation to promote cooperatives to ensure balanced economic growth of the country. Cooperatives allow involvement and participation of the community, specially of its poorer segment, in the development

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process in an organised manner through institutional discipline. The role of the government in promoting the cooperative societies is confined to stimulating cooperative enterprise, guiding it and keeping it on a sound footing through the development of local initiative and spirit of selfhelp. Cooperatives are intended to be spontaneous organisations as a result of information, education, motivation, training research, extension, evaluation and planning.

2. BACKGROUND OF THE COOPERATIVE MOVEMENT

2.1 Cooperative Movement was formally introduced in this part of the world in 1904. Towards the end of the 19th century the then British government in India, being concerned by the growing stagnation and famine condition of the rural people, introduced some measures to overcome the situation. But the measures turned out to be ineffective and inadequate. It then looked to the European experiences with cooperative methods and ultimately opted for reformer "Raiffeisen's model". In this sequence came the Cooperative Movement in this country. The main idea was to organise the small and poor farmers and provide them credit facilities with a view to reducing rural indebtedness and augmenting food production on the one hand and improving economic condition through creating employment opportunities on the other.

3. PROFILE OF COOPERATIVES IN BANGLADESH

3.1 Cooperative Movement in this country has a long and chequered history; it had its spring, it saw its winter. For the last nine decades diverse economic activities have been conducted through cooperatives. At present there are 1,37,572 cooperative societies in the country with 67,91,568 members. Of these, 18 are apex societies 960 are central cooperative societies and the rest are primary societies. The share capital of these societies amounts to Tk. 350 million, thrift savings Tk. 399 million and reserve fund Tk. 78 million. On the basis of family affiliations about 30.5 million people are directly or indirectly associated with cooperative activities. These cooperatives have been sponsored by the Cooperative Department, Bangladesh Rural Development Board, Bangladesh Handloom Board, Bangladesh Water Development Board and NGOs. Though at the beginning, the Movement was confined to agriculture, banking and consumer

cooperatives it gradually pervaded almost all sectors of the economy. At present cooperatives cover such activities as agriculture, banking, trade, industries, transport, fisheries, housing, dairy production, milk processing, small scale industries etc.

4. HIERARCHICAL ORGANISATION OF THE COOPERATIVE SOCIETIES IN BANGLADESH:

4.1 Cooperatives are democratically disciplined organisations formed by identifiable groups of individuals to carry out well defined economic activities. They are generally autonomous organisations worked and managed by the members at a reasonable cost. As cooperatives are a form of societies, they work within the direction and restraint of the government. They are also given all assistance in the interest of the public.

4.2 At present seven types of hierarchical structure including the independent cooperatives are discernible in the country. The structures are as given below:

TYPE-I (TRADITIONAL)		TYPE-II (BRDB)	
National		Central	
Central		Primary	
Primary			
TYPE-III (TRADITIONAL)		TYPE IV (TRADITIONAL)	
National		Primary	
TYPE-VI (TRADITIONAL)		TYPE-V (TRADITIONAL)	
National		National	
		Central Primary	
TYPE-VII (TRADITIONAL)		TYPE-VII (TRADITIONAL)	
National		Central	
Central	Primary	Individual	

4.3 Primary societies are common in six out of seven structures. Divergence in structure starts above this level.

4.4 The Bangladesh Jatiya Samabaya Union (National Cooperative Organisation of Bangladesh), which is a member of the ICA, is

the non-official spokesman of Cooperative Movement in Bangladesh functioning since 1961. The National Union has its membership stream both horizontal and vertical—i.e. horizontally sectoral apex Cooperative Federations and vertically District Cooperative Unions, Upazila Samabaya Unions, and other secondary, cooperative organisations, and through the membership stream it caters to the needs of the individual member of the entire Cooperative Movement.

5. COOPERATIVE LEGISLATION

5.1 The British had introduced cooperative system in 1904 and enacted laws providing legal sanction for formation of cooperatives and subsequently set up a Cooperative Department for promotion of cooperatives. Cooperatives in Bangladesh had so long been functioning under Cooperative Societies Act, 1940 and the rules framed thereunder. Repealing the Act and replacing the rules the government of Bangladesh promulgated the Cooperative Societies Ordinance, 1984 and framed the Cooperative Societies Rules, 1987. The cooperative legislation in the country provides legal sanctions to the Government Departments and Autonomous Organisations for the formation and running of cooperatives for economic development and social upliftment of the people. Under the law the Registrar and his officials are the promoters, regulators and facilitators of the cooperatives. The government also has its role in the management of National Apex Federations and secondary level cooperatives and indirectly in the management of primary cooperatives where it has made financial investments.

6. GOVERNMENT POLICIES VIS-A-VIS COOPERATIVE MOVEMENT

6.1 During the sixties the government declared a national policy on the organisation and management of cooperatives to develop the Cooperative Movement in the country as one of the important means of social equaliser. The government provided all out support to the cooperatives even by *participating in the share capital*, providing development assistance and also by extending concessional and preferential treatment to the cooperatives. But the benefits of the development did not reach the target groups appropriately due to inherent defects in legislation and lack of institutional discipline.

6.2 In the context of these past experiences and to overcome

the difficulties and constraints in the growth and development of the cooperatives, the present government under the dynamic leadership of President Hussain Muhammad Ershad thoroughly reorganised the Cooperative Movement of the country. The government reconstructed the Cooperative Department giving it specific functions and duties namely: (i) registration of cooperative societies at the grass root level i.e. through the "Upazila administration" (the epoch-making reform of President Ershad), (ii) compilation of cooperative statistics, (iii) aggregative extension of cooperatives, (iv) promotion of occupational cooperatives, (v) strengthening audit, inquiry and inspection of the cooperatives so as to keep them free from corruption and malpractices.

6.3 As stated earlier, cooperatives in Bangladesh had so long been functioning under the Cooperative Societies Act of 1940. In 1984 the Cooperative Societies Act, 1940 was repealed and the Cooperative Societies Ordinance, 1984 was promulgated to match with the requirements of the present day. Similarly, new rules under this ordinance were framed to make it most up-to-date. Even, some provisions of the Ordinance of 1984 were further amended by the present government of President Ershad on May 21, 1986. A new audit and inspection manual was also prepared and was introduced in 1984.

7. NATIONAL COUNCIL FOR COOPERATIVES

7.1 With a view to synchronizing the Cooperative Movement with the wishes and aspirations of the people, the government has just set up a National Council for Cooperatives with the Honourable President as its Chief Patron. The Council has been constituted taking members from different walks of life, such as, intellectuals, professionals, Members of the Parliament (M.P.) government officials, farmers, cooperators, etc.

8. COMMITMENTS AND EFFORTS OF THE GOVERNMENT

8.1 **Technical:** The present government through the Ministry of Local Government, Rural Development and Cooperatives (LGRD & Cooperatives) is preparing and implementing ambitious development schemes through cooperatives in the sectors of agriculture, irrigation, small and cottage industries, health and family planning, fisheries and livestock, transport etc. Over and above, the government has laid much stress on infrastructural development

of the rural areas through the cooperatives. This Ministry maintains link with CIRDAP, ICA, SAARC and many other national and international organisations and interacts with them for mutual benefits.

8.2. At the moment an integrated cooperative approach to rural development has been adopted to alleviate poverty through production, employment and rural poor programmes and to bring about a qualitative change and improvement in the life style of the rural people; and with this end in view the Bangladesh Rural Development Board (BRDB), and autonomous organisation, is engaged in rural development through the propagation of modern two tire cooperative system (the "Comilla Model") where there are the Primary Societies at the grass-root level and the Upazila Central Cooperatives Association (UCCA) at the Centre. The modern cooperatives are being replicated all over the country.

8.3 Training: The Bangladesh Academy for Rural Development (BARD) and the Rural Development Academy (RDA) are the two very important and prestigious semi-government Training Institutions under the Ministry of LGRD and Cooperatives for imparting training to the cooperators so as to imbibe them with the spirit of the Cooperative Movement and provide technical knowledge and skill. In addition, there is one cooperative college and eight zonal institutes which conduct regular courses on cooperative education and training for the departmental employees and membership training on the Cooperative Movement for the cooperative members. Besides these Academies, College and Zonal Institutes, there are two apex cooperative bodies such as National Cooperative Union and National Cooperative Federation which organise training courses, seminars, conferences and workshops for the promotion of Cooperative Movement in Bangladesh. The administrative costs of the Academies, College and Institutes are entirely borne by the government.

8.4 Financial: The Ministry of LGRD & Cooperatives of the government provides guarantee to the Central Bank of the country for providing funds to the National Cooperator's Bank (Bangladesh Samabaya Bank Limited – BSBL) which gives loans to the traditional coope atives. Similarly, Sonali Bank, the largest Nationalised Bank of the country also provides loans to the BRDB (Bangladesh Rural Development Board) sponsored cooperatives through the patronage of the government.

8.5 Other fields: The government has invested about 260 million Taka in the "Milk Vita", the only cooperative dairy of the country for its development. The Ministry of LGRD & Cooperatives has also sponsored many other income generating projects through cooperatives. Import of two thousand auto-rickshaws, procurement of one thousand auto-tempoes, buses and rickshaws are worth mentioning.

9. CONCLUSION

9.1 Bangladesh being a developing country the government has rightly put due stress on Cooperative Movement for the economic upliftment of its people. The present government as a matter of policy is doing its best to create favourable environment for the healthy growth of cooperatives in Bangladesh. It is intended that the cooperatives will gradually become self-managed and self-financing societies.

9.2 Endorsing the views of Mr. P.E. Weeraman, it may be concluded that in Bangladesh the development of the Cooperative Movement has been and is yet dependent, for quite some years to come, on the initiative and patronage of the government.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN BANGLADESH

QUAZI ABDUS SALAM* & MOHD. IQBAL HUSSAIN

1. INTRODUCTION

1.1 The Constitution of Bangladesh recognises three forms of ownership viz. private, public and cooperative. They, in turn, characterise the sectors of the National Economy. The private sector, the public sector and the cooperative sector, are backed and supported by the government for the production in the economy. The government of Bangladesh has the constitutional obligations to promote, guide and develop an autonomous democratic Cooperative Movement and ensure societies economic security, for her eighty-five per cent below poverty level population.

1.2 In the Pre-1947 period, cooperatives were mainly concerned with the supply of credit to their members. In 1947, there were about 26,664 rural credit societies in the erstwhile East Pakistan but most of them were in morbid conditions.

1.3 After 1947, both agriculture and cooperative sector continued to suffer from insufficient government help. Government tried to convert the credit cooperatives into Union multipurpose Cooperatives to link up credit with marketing. Cooperatives tried to meet the requirements of not only credit but also of other inputs of the farmers as viable units. These multipurpose cooperatives were organised all over the country as quickly as possible. Most of these cooperative deteriorated to a state of open insolvency by 1978.

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1.4 The next phase of Cooperative Movement in erstwhile East Pakistan was significantly dominated by the research activities in the Academy for Rural Development at Comilla on the basic question how the small farmers can best be organised into own cooperatives through an internal process of self-awareness. Government gradually stopped support to traditional cooperatives and extended support to Two-tier cooperatives of IRDP and expanded the IRDP, UCCAS & TOCAK.SS all over the country. Two-tier cooperatives of IRDP are administered by BRDB, since 1983.

2. ROLE CURRENTLY BEING PLAYED BY THE GOVERNMENT

2.1 Cooperatives have been sponsored by Cooperative Department, Bangladesh Rural Development Board (BRDB), Bangladesh Handloom Board, Bangladesh Water Development Board etc. though in the beginning the Movement was confined to agriculture banking and consumers cooperatives, gradually it pervaded almost all sectors of the economy. At present cooperatives cover such activities as agriculture, banking, trade, industries, transport of fisheries, housing, dairy production, milk processing, small scale industries and income generating activities for the target group. Cooperatives in Bangladesh have been playing a vital role and engaged in impressive asset creation and employment generation.

2.2 The main functions of the Cooperative Department are to organise cooperative societies, conduct audit and inspection of cooperative societies. Besides this, the Department formulates policies on the administration of the Cooperative Movement and supervises practical application of the provisions of the Cooperative Societies Acts and Rules. Thus the Cooperative Department is to undertake organisational, promotional and development activities of the Movement as a whole. The cooperative societies are of Three-tier system, namely, Apex Cooperative Society at the national level, Central Cooperative Society at the secondary level and Primary Cooperative Society at the grass-root level. BRDB sponsored cooperatives have two tiers, namely, the TCCA at the 'thana' level and KSS, BSS and MSS at the grass-root level.

2.3 The two-tier agriculture cooperative societies namely, the Krishak Samaya Samity (KSS) at the village level and the Thana Central Cooperative Association (TCCA) at 'thana' level were the functional organisations of the erstwhile IRDP established in

1971 with a view to organising farmers. The objectives behind organising such farmers organisations were to channelise institutional support and services to the farmers through their own organisations. During the last one decade or so, IRDP extended its activities beyond the farmers and organised other rural groups such as women, landless etc. for involving them in development activities. In 1982 the erstwhile IRDP was converted into Bangladesh Rural Development Board (BRDB) with a view to strengthening the existing development activities under the organisation.

2.4 Under the administration of Cooperative Act & Rules by Cooperative Department and support of BRDB for UCCAS & UCCA-UCCA KSS BSS M.SS the total number of cooperative societies has now stood at 1,21,000 in traditional & BRDB streams with individual membership of 68.10 lakhs. Almost 33% of the families of the country are now the beneficiary of the cooperatives in some way or other.

2.5 Cooperatives have mobilised capital resources of Tk. 132.03 crore through collection of shares and savings of the individual members. It has created assets (physical & liquid) of Tk. 626.71 crore by conducting various productive activities. It has provided employment opportunities to 2,78,049 individuals in different projects and offices of the societies.

2.6 A good number of non-Cooperative and non-Government voluntary organisations under the agis of the various development. Ministries organised group activities, leading formation of cooperatives in collaboration with BJSU & DCUS.

3. ROLE OF GOVERNMENT IN COOPERATIVE LEGISLATION

3.1 As per provisions of the Cooperative Societies Ordinance, 1984 and Cooperative Societies Rules, 1987 the following prominent sections are there:—

A. Registration

A cooperative society can be registered only when at least 10 persons above the age of 18 years submit application in prescribed form alongwith necessary bye-laws.

B. Registration of Amendments

After registration the bye-laws of a cooperative society cannot be amended without the approval of the majority members.

C. Power of General Meeting

The power of approval of the activities of the managing committee and Annual Budget of the society lies in the general meeting.

D. Power of Chairman

The Chairman or in his absence the Vice-Chairman shall preside over the general meeting and in absence of both the Chairman and the Vice-Chairman the members present shall elect one from amongst themselves to be the Chairman of the meeting. He is to dispose of all urgent affairs on behalf of the managing committee subject to rectification by managing committee except sanctioning loans and advances.

E. Power of Liquidator

A liquidator is to call a general meeting before closing liquidation proceedings. The Registrar can cancel the registration of a cooperative society only if the general members take decision in this respect.

F. Democratic Sanction

(i) Autonomous status of cooperatives

A cooperative society works as an autonomous body after getting registration.

(ii) Supreme authority of general meeting

The general members assembling in a general meeting are the final authority of general meeting.

(iii) Final authority of general meeting

It is the power of the general meeting to finally approve the annual audit report and statement of accounts of a cooperative society.

(iv) Authority of members

The management of every cooperative society lies with the managing committee and the members of the managing committee are elected directly in a general meeting.

(v) One member one vote

No member of a cooperative society has more than one vote whatever may be the number of his share.

G. Sanctions of Government Control Via-a-Vis Autonomy

Nomination in the management and deputation of government servants in cooperatives with involvements of government funds, dissolution of elected managing committee without reference to general meetings and appointment of government committees, removal of directors, disqualifications of directors, restrictions on borrowings, loaning, financial transactions and distribution of profits, transfer of shares, property and investment of funds restrictions and use of reserve funds and above all compulsion for contribution from net profits to cooperative development fund, administered by government committee can be termed as undemocratic sections.

H. Unrest

The BJSU is of the opinion that the cooperative legislation should provide full autonomy guided with punitive sanctions against corruption, violation of byelaws, Rules and Acts and misuse of powers and above all for recovery of loss of the societies from the persons concerned.

4. GOVERNMENT POLICY VIS-A-VIS COOPERATIVE MOVEMENT

4.1 During sixties, the government declared national policy on organisation and management of cooperatives to develop the Cooperative Movement in the country as one of the important means of social equaliser. The government provided all out support to the cooperatives even by participating in the share capital, providing development assistance and also by extending concessional and preferential treatment to the cooperatives. But the benefits of the developments did not reach the target

groups appropriately due to inherent defects of legislation and lack of institutional disciplines. In the context of past experience to overcome the difficulties and constrains of the growth and development of cooperatives the present government constituted a national council for framing a comprehensive and pragmatic national cooperative policy to develop the Cooperative Movement as the strong 3rd economic sector of the country and the council is going to start its activities under the patronage of the hon'ble President of the country.

4.2 The BJSU fully endorsed the ILO recommendation 127 and recommends that the objectives of government extending help to cooperatives need to be:

- (i) to encourage people's participation in cooperative institutions for their socio-economic development and thus sharing the efforts of the state; and
- (ii) to execute/pursue some specific objectives on behalf of the state which are not contradictory to the objectives of the cooperatives. Similarly a cooperative can expect/accept aid from government:
 - (a) to build its resources to enable it to fulfil its own objectives; and
 - (b) to implement specific objects entrusted by the government which are in conformity with its own objectives.

Financial Assistance

4.3 The ILO Recommendation 127 has classified aid to cooperatives under financial assistance as follows:

Where necessary, financial aid from outside should be given to cooperatives when they initiate their activities or encounter financial obstacles to growth or transformation.

- (a) Such aid should not entail any obligations contrary to the independence or interest of cooperatives, and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives.

- (b) Such aid should take the form of loans or credit guarantees.
- (c) Grants and reductions in or exemptions from taxes may also be provided, in particular, to help finance.
 - (i) Publicity, promotional and educational campaign.
 - (ii) Certain clearly defined tasks in the public interest.

Where such aid cannot be provided by the Cooperative Movement, it should preferably be given by the State or other public bodies, although it may, if necessary, come from private institutions. Such aid should be coordinated so as to avoid overlapping and dispersal of resources.

Grants and tax exemptions or reductions should be subject to conditions prescribed by national laws or regulations and relating in particular to the use to be made of the aid and the amount thereof: the conditions of loans and credit guarantees may be determined in each case:

- (a) The competent authority should ensure that the use of financial aid and, in the case of a loan, its repayment, are adequately supervised.
- (b) Financial aid from public or semi-public sources should be channelled through a national cooperative bank or failing that, another central cooperative institution capable of assuming responsibility for its use and, where appropriate, repayment, pending the establishment of such institution, the aid may be given directly to individual cooperatives.

Administrative Assistance

4.4 The ILO Recommendation is classified aid to cooperatives under administrative assistance as follows:

While it is essential that the management and administration of a cooperative be from the outset, the responsibility of the members and persons elected by them, the competent authority should, in appropriate cases and normally for an initial period only:

- (a) Assist the cooperative in obtaining and remunerating competent staff.
- (b) Place at the disposal of the cooperative persons competent to give guidance and advice.

Generally, cooperatives should be able to obtain guidance and advice, which respect their autonomy and the responsibilities of their members their organs and their staff, on matters relating to managements and administration, as well as on technical matters.

Such guidance and advice should preferably be given by a federation of cooperatives or by the competent authority.

There is nothing wrong in state giving aid and support to the cooperatives and the cooperatives accepting it or even asking for it. But the issue is on what terms or conditions the aid is being made available. If the aid helps the cooperative in achieving its objectives, serving its members and the society at large, there should be no objection in accepting it. However, if the aid results in any hindrance in its autonomy, its character and democratic functioning then it should be thought twice before it is accepted. Further no aid or assistance should be thrust directly or indirectly on cooperatives, but it should be a mutually agreed affair. Some cooperators are of the view that once state aid is accepted the cooperative is bound to loose its freedom. But it depends on the state, if a government wants, it can always find ways and means to intervene even without extending any aid, or financial assistance though financial assistance can be an additional ground for intervention.

Supervision and Responsibility for Implementation

4.5 In most Asian countries the responsibility for supervision continues with the cooperative department. This is done first under the cooperative legislation and secondly under terms of financial assistance. There is a very fine distinction between supervision and interference. At times even normal supervision if initiated with motives or under political or administrative pressure can be interpreted as interference. Thus the supervisory agency has not only to be fair but has also to appear as fair. The supervisor should not be on pick and choose basis but

based on accepted norms and procedures. One way would be ensure it through their federal body for lower level cooperatives.

The ILO Recommendation 127 in this regard says:

- (i) Cooperative should be subject to a form of supervision designed to ensure that they carry their activities in conformity with the objects for which they were established and in accordance with the law.
- (ii) Supervision should preferably be the responsibility of a federation of cooperatives or of the competent authority.
- (iii) Audit of the accounts of cooperative affiliated to a federation, of cooperatives should be the responsibility of that federation, pending the establishment of such a federation or where federation is unable to provide this service, the competent authority or a qualified independent body should assume that task.

The measure referred to in paragraph (i), (ii) and (iii) of this Recommendation should be so planned and carried out as to:

- (a) ensure good management and administration of cooperatives;
- (b) protect third parties;
- (c) Provide an opportunity of completing the education and training of the office and members and members of the staff of cooperatives through critical examination of mistakes.

The functions of promoting cooperatives, providing for education concerning cooperatives and for the training of office-bearers and members of the staff of cooperatives, and giving aid in their organisation and functioning should preferably be performed by a central body so as to ensure coherent action.

- (i) The performance of these functions should preferably be the responsibility of a federation of cooperatives, pending the establishment of such a body the competent authority

or where appropriate, other qualified bodies, should assume the task.

- (ii) The functions referred to in para (i) and (ii) of this Recommendation should, wherever possible, be discharged as full time work.
- (iii) They should be performed by persons who have received training specifically directed towards the exercise of such function. Such training, should be provided by specialised institutions or wherever suitable, through specialised course in schools and colleges referred to in this Recommendation.

The competent authority should collect and publish at least once a year a report and statistics relating to the operations and growth of cooperatives in the national economy.

Where the services of federations of cooperatives or of other existing institutions cannot adequately meet the need for research, experience and publications, special institutions, serving the entire country or several regions, should, if possible, be established.

Secondly, once the state accepts certain responsibility, it should also ensure that it is enforced. For example under most cooperative laws timely audit is the responsibility of the cooperative department. In that case the department should cause to have the audit in time. Lack of resource or staff should not be the reason for delay. Either they should fulfil the responsibility or should not accept it. Similarly the department has to ensure that annual general meeting must be held before a particular date. The department must ensure it in all cases and should not take action only when some political pressure is exerted.

The government should take responsibility of such powers for which have necessary resources and can enforce them.

5. SUPPORT PROVIDED BY THE GOVERNMENT

- (i) *Technical and financial* : Two development projects, and for strengthening audit capability of Cooperative Department at a cost of Tk. 86 Million and the other for development of Cooperative College and 8 Cooperative Training Institutes at

a cost of Tk. 12.5 million are under implementation and another 12 development projects of about Tk. 200 million are under active consideration of government for providing financial and technical support to the traditional cooperatives under the guidance and supervision of the Cooperative Department.

18 development projects at a cost of about Tk. 500 million started in 1984-85 for providing financial and technical support to BRDS cooperatives are on; and in addition to these, 6 are development projects for promoting group activities among the rural poor as pre-cooperative. Steps are in progress since 1986-87 and good number of development projects for development of rural infrastructure and irrigated agriculture through cooperatives have been approved by the government in principle. The Ministry of L.G.R.D. and Cooperatives provides guarantee to Bangladesh Bank for release of agricultural production credit to BSBL, for traditional cooperatives and to Sanali Bank for providing credit to UCCAS for BRB K.SS, M.SS and BSS.

6. FACILITATING THE ENVIRONMENT FOR GROWTH OF COOPERATIVES BY GOVERNMENT

6.1 The government has approved a mid-term plan for rural development projects covering physical infrastructure, irrigation drainage-minor flood control measures for improved cultivation and creation of employment/job opportunities through group cooperative activities and expansion of physical facilities.

7. RECOMMENDATIONS AND SUGGESTIONS

- (i) In countries where government are actively involved and concerned with socio-economic activities, cooperatives cannot function in isolation. They do need support and encouragement of the government in their functioning. On the other hand, if the welfare activities of the state have to reach the downtrodden and in remote areas there can be no better institutional base than the cooperative structure. But their relationship should either be that between the principal and agent, or as equal partners with mutual agreement to help each other in achieving their common objectives.

- (ii) Government should ensure as a matter of declared policy that cooperatives function independent of government influence according to cooperative principles and government in a cooperative should not continue beyond a specified period.
- (iii) The objective of cooperative legislation should be to ensure the maintenance of genuine character of cooperatives and should include provisions which would enable its smooth functioning as well as define the privileges and protections available to them.
- (iv) Cooperatives should be treated as a way of life and where people want to organise themselves into a cooperative, they should not be refused registration if their bye-laws are in accordance with the Cooperative Principles. Only when they seek government assistance the conditions laid down by the state could be enforced on them.
- (v) The cooperative legislation should maintain the basic character of cooperative as internationally accepted and it should not contain any provisions which infringe upon the basic character of a cooperative.
- (vi) Refusal to register a cooperative or interference in its functioning should be subject to appeal to judiciary or an independent appellent body which should be of judicial nature.
- (vii) Holding timely annual general meeting, elections, preparation of annual accounts and audit should be personal responsibility of the managing committee, chief executive, and any default should be punishable in fine or disciplinary action under the Act.
- (viii) Failure in performance of duties by the officials of a society including members of the managing committee deliberately and for any malafide action, individual officials should be held responsible.
- (ix) Government should, as a general principle, not take over management. but in case it becomes unavoidable it should not continue for more than three months except with the specific approval of the general body of the society or when government money is at stake.

- (x) The state should pursue an active policy of autonomy towards government sponsored and assisted cooperatives to enable them to become truly democratic self-help cooperatives.
- (xi) The government assistance and help should be extended very carefully. It should be extended in such a way that it is conducive to the growth and efficient working of the cooperative and should not make it complacent and dependent on the government.
- (xii) For activities which cooperatives can undertake in pursuance of government policy for assisting people, cooperatives should be entrusted with such responsibility with necessary resources instead of creating new public sector agencies. This will be more economical to the government and at the same time involve people's participation.
- (xiii) Government role should be of a watch dog ensuring that no one misuses the resources of cooperatives for self-interest; but the judgement to carry on the activities under its bye-laws should be left to itself. The society should have the liberty to take all decisions with regard to its own and commercially borrowed resources. Only to the extent government provides resources for carrying certain activities it may impose conditions under an agreement in lieu of providing the resources/assistance. But this should be a mutually agreed affair and not imposed on cooperatives. To bring standardisation, an international cooperative model should be drafted.
- (xiv) Cooperatives which do not seek any assistance from the government should not be directed and supervised by the government except in case where they infringe the provisions of the law of land including cooperative law. Appointment of employees in cooperatives should not be with approval of the government. It should be a prerogative of the cooperative.
- (xv) Government should take steps to introduce cooperative as a subject in the educational institutions and students should be encouraged to form school/college cooperatives in order to have a practical exposure to cooperatives.

- (xvi) Government should provide funds for cooperative education and training until cooperatives are financially strong to meet the cost from their own resources.
 - (xvii) Cooperatives should be encouraged to have their own audit arrangements through their apex federation or professional auditors. Government department audit should be done only if a test audit is not satisfactory or cooperatives cannot afford it financially.
- B. (i) All the non-working primary cooperatives should be liquidated forthwith. All the village based societies should be amalgamated into one society for each village through motivational measures, and the societies so amalgamated should be allowed to affiliate either to the BRDS-UCCAS or to the BSBL-CCPS on voluntary/optional basis. The functions of these village societies will extend over all upliftment activities, particularly concerning improvement of production and self-employment in rural area. The primary UCMPSS should be revitalised to deal in marketing of agricultural produce and supply of consumer goods through the channel of CCMPS and Bangladesh Marketing Society.
- (ii) Primary Land Mortgage Banks should be set-up in every upazila of the country for dispensation of long-term credit for mechanisation of agriculture.
 - (iii) At the secondary tier, separate central societies at the upazila district levels, where necessary, should be organised and developed for weavers, fisheries and other professional groups.
 - (iv) An elaborate national policy towards the cooperatives should be announced. The national policy should underline the extent and nature of government central assistance in respect of the cooperatives, the targets of production and distribution of goods and services to be performed by the cooperatives and the amount of capital and income to be contributed by the cooperative members to the national economy. For the purpose of national development planning, the cooperatives should be accepted as a third sector in terms of the Constitution, and the tendency to provide

artificial respiration to the cooperatives for display of rural development may be avoided.

- (v) There is exigency of government assistance for all the major apex/national societies in the shape of grants and loans, so that these societies can build up adequate resources and strength within a certain period to stand on their own feet for expansion of services to the primaries through the secondary units.
- (vi) The Cooperative Ordinance of 1984 may be examined to amend only to democratise the cooperative management as well as for gradual withdrawal of the government's regulatory control from the Movement.
- (vii) The facilities and methodologies of Cooperative Training Institutions and extension units should be enhanced so as to provide basic training to all management members and employees of the cooperatives within two years. The complexity of organisational structure and its remedies should among others feature the training contents in these institutions.
- (viii) The BJSU is the federal body of the entire Cooperative Movement of Bangladesh. Horizontally all the sectoral apex cooperative organisations and national level, secondary and district level, primary cooperative organisations and vertically all the District Cooperative Unions and Upazila Cooperative Unions are in the membership stream of BJSU aiming at achieving union of the entire Movement as the spokesman of the Cooperative Movement for promoting, safeguarding and representing the interest of the cooperators and cooperatives and act as liaison organisation of the Ministry of LG RD & Cooperatives as supportive organisation of the government agencies like cooperative department, BRDB, BARD, RDA and other governmental and autonomous organisations involved in rural development and promotion of cooperatives in various economic sectors of the nation. The BJSU prepares education, training and other promotional programmes for the members annually and circulate it to the member organisations to organise and conduct education, training and promotional activities within the framework of their annual budgets and programmes of

activities to serve the interest of the individual members at the level and provides education and training materials and limited fund support. It organises education and training courses and group-discussions among various occupational groups and unemployed youths and landless persons to generate self-income generating activities in addition to other activities.

7.1 The BJSU is managed by 12 members, 6 directly elected by all the members and 6 directly elected by area/class members as per provisions of the Cooperative Act and Rules, and its bye-laws. The BJSU office is run by the Chairman assisted by the two Vice-Chairmen, General-Secretary, assisted by one Joint-Secretary, one Treasurer, and one Internal Auditor. They are all elected honorary office-bearers discharging their duties and functions as empowered by the bye-laws of the Union in addition to their duties, duties and responsibilities of the managing committee. The Chief Executive Officer is the top professional of the Union assisted by one Deputy Executive and one Assistant Executive (Accounts) with 5 support staff to render secretarial service to the office-bearers of the Union. The BJSU is grossly short of funds, facilities, and manpower, government should provide appropriate support and assistance to BJSU under the national development plan to build up self-supporting member education and training system in the country.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN CHINA

DEVELOPMENT OF SUPPLY AND MARKETING COOPERATIVES

MRS. LIU XIN ZHONG*

1. INTRODUCTION

1.1 This article describes the history of cooperative development in China, and particularly the role which the government has played in promoting that development. It then goes on to look at the situation today and the issues facing government as it attempts to develop the Cooperative Movement. It asks the question—What role does the government have in a socialist country in the promotion of cooperative development which has historically been a non-government sponsored initiative in many countries?

PART ONE

2. PRE-LIBERATION

2.1 Cooperatives in China date back to the early 1920's when the Chinese workers, peasants and students started to organise themselves into consumer/producer/transport/credit and other types of cooperatives. Their purpose was to overcome their economic difficulties and to improve their productive and living conditions. However, these cooperatives, due to Civil Wars and to the backward social development, were all in a scattered and localised state, and there was no nationwide cooperative network. Therefore development of cooperatives was greatly restricted.

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PART TWO

3. DEVELOPMENTS FROM 1949 TO 1957

3.1 The founding of the Peoples Republic of China in 1949 enabled the fundamental basis for the development of cooperatives on a national scale to be formed. Thousands of years of continual warfare ended and the divided nation was united. This brought about a peaceful and stable environment for the Chinese people to earn their livelihood. The feudalist system was finally abolished by land reform which gave more than 46 million hectares of cultivated land to the poor peasants.

3.2 The political and economic liberalisation enjoyed by Chinese people for the first time in history stimulated their enthusiasm to develop agricultural production. However, as the old land-tenant system was broken down, millions of small scale households and individual production units encountered many difficulties in gaining access to the market. The public sector could not establish their commercial networks down to the vast rural areas, whilst private traders often exploited peasants by paying too low prices for farm products and charging too high prices for consumer goods sold. The Chinese government anticipated these problems, which it attempted to solve by the development of integrating national development strategy.

3.3 In September 1949 a Common Programme drawn up by the first Chinese Peoples Political Consultative Congress formulated the basic policy for cooperative development. It stated clearly that cooperatives were to be an important part of the national economy. Cooperatives appeared to combine the best features of private ownership whereby small producers pooled their shares and on the other hand, they were seen as economic bodies collectively owned by working people. The government felt it was duty-bound to encourage and support the masses of working people to develop the Cooperative Movement on the principle of voluntary and open membership; hence the new laws were designed to protect and assist cooperatives.

3.4 Particular emphasis was placed on Supply and Marketing Cooperatives and the Common Programme described them as the "core" amongst the various types of cooperatives. They were

seen as vital commercial ties linking rural areas with urban areas and as one of the best methods of linking the State economy with the peasant economy. Under this State policy the cooperative system sponsored and promoted by the government was soon established from top to bottom. The government, at all levels, sent educated and experienced officials to help to form cooperatives.

3.5 The government gave cooperatives preferential treatment, including loans to the cooperatives at a rate of interest of only 10% lower and assured a regular supply of essential consumer goods at 9% less than the normal price, cooperatives enjoyed exemption from industrial and commercial tax for three years and 20% reduction of business tax. In response to this government support, cooperatives quickly spread throughout the whole of China. By the end of 1952, there were over 33000 Supply and Marketing Cooperatives with a membership of 130 million people. This meant over 90% of peasant households had joined a Supply and Marketing Cooperative. In addition 80% of all counties established County Cooperative Federations.

3.6 The total share capital of cooperatives amounted to 700 million, most of which was pooled from the peasant members contributions. The State Bank gave loans totalling 100 million Yuan and the total of value of farm products through cooperatives amounted to 3.8 billion Yuan which made up to 27.6% of the total in rural areas. The supply of consumer goods amounted to 4.9 billion Yuan which was 23% of the national retail business. Meanwhile around 50% of fertilisers and a great deal of pesticides and farm implements were also provided to peasants through cooperatives. It is estimated that the peasant members of cooperatives benefitted to the extent of some 500 million Yuan from Supply and Marketing Cooperatives in 1952. These benefits arose from the lower prices of industrial goods supplied through cooperatives and the higher price of farm products marketed.

3.7 To review this initial stage of cooperative development after liberation, it is clear that the Chinese Government saw cooperatives as playing an essential role in the rural economy.

3.8 The government's policy and its formulation on cooperative development from 1949 to 1957 resulted in major achievements which contributed to the national economy and brought substan-

tial benefits to the rural poor. It was thought to be indispensable for the government to take this initiative, even though most cases of cooperative foundation in Western countries result from spontaneous initiatives. The reasons for this must be seen from the viewpoint of the Chinese situation in the 1950's. Grinding poverty had caused acute backwardness in the rural areas as a result of centuries of feudalism and warlordism. 90% of peasants were illiterate and the feudalist ideology had dominated their spiritual world for thousands of years. The economic independence resulting from land reform could not foster their democratic and ideological independence overnight. Peasants were used to being led and not to being in the position of being able to create something by themselves. Secondly, the subsistence economy with low productivity and low trading demands meant that they had weak economic strength and poor management ability to start their own cooperatives.

3.9 Even though the Government both sponsored and gave assistance to the formation of the Chinese Supply and Marketing Cooperatives, it also stressed the importance of the Cooperatives' autonomy, and that it was not the government's role to interfere in the cooperatives' internal organisation.

3.10 From 1949 to 1957 the Supply and Marketing Cooperatives were basically observing the cooperative principles: for example, by the democratic participation in the primary society and the election of local leaders and by the distribution of economic surplus to members.

3.11 By the end of 1956, the cooperatives, with the active involvement of their members, had become a vital economic organisation in rural areas and had paid back all loans borrowed from government Banks.

PART THREE

4. THE WINDING ROAD

4.1 From 1958 to 1978 Chinese Supply and Marketing Cooperatives followed a tortuous route. Under the influence of Leftist ideology the cooperatives suffered twice from the change in nature from cooperative to public ownership.

4.2 During 1958 during the Great Leap Forward, advanced agricultural producer cooperatives each with about 40 household members, were converted into Communes with about 10,000 households. To accord with such changes Supply and Marketing Cooperatives, (S.M.C's) were forcibly converted into Communes.

4.3 Although this lasted for only nine months, the local cooperatives suffered losses of several billions by this blind direction and mismanagement. After this mistake, and the lessons learnt from it by the government, S.M.C's have continuously remained as independent economic units to serve local people in rural areas. The blurred consciousness from the top during this period regarded cooperatives as a low level of socialist ownership.

4.4 However, since no advantages were apparent from the merger with the Commune Movement, their separation quickly followed as a result of practice rather than theory.

4.5 Chinese Supply and Marketing Cooperatives are not able to demonstrate their best features unless the general social and economic environment provides preliminary conditions for their growth. The slow increase of agricultural production was caused mainly by the Left's mistakes and its over-emphasis on collective farming, restriction on peasants individual undertakings and too many decrees from above to direct local production. As a result the incentive for the peasants to increase production was constrained, which in turn, meant that there were large shortages of various agricultural products.

4.6 In order to ensure adequate agricultural resources for supply to national industry and to urban citizens, the government regarded cooperatives as the best instrument for this. Having covered every corner of the rural area, the S.M.C's were required to fulfil government procurement targets for about 50 varieties including cotton, jute, animal products, fruits, silk, bamboo, tea, lacquer and so on. All these compulsory procurements were at a fixed price, quantity and quality and even the delivery time was determined from the top to the primary S.M.C's according to national central planning. These procurement operations on behalf of the government accounted for a large proportion of the total operations of S.M.C's. For example the compulsory purchases assigned by the government to S.M.C's in 1978 made up 67% of the total value of products marketed which meant

that only 33% was left from the peasants voluntary sales. Peasants became reluctant to deliver their products to the cooperatives, since the lower prices they could obtain did not compensate for the higher priced consumer goods they intended to buy. Moreover, the free market usually provided a better alternative.

4.7 Gradually the peasant members drifted apart from their cooperatives, treating them more like government agencies than their own society. On the one hand the primary cooperatives were trying to support peasant production by loaning 10% of their net profit to members, free of interest, per year, and by providing large quantities of consumer goods and implements at fixed prices, to meet the basic needs of peasant in their production and livelihood. However, on the other hand, the coops were alienated from their members as more and more regulations, decrees and orders were despatched from Central government. The cooperative leaders were no longer even elected by their members but were appointed by the State and enjoyed the same privileges as other government cadres. This tendency was taken to extreme during the cultural revolution when cooperatives for the second time were changed in nature to the so-called high level public ownership. Some cooperatives even returned all the shares to members in order to purify them in line with this supposed progress.

PART FOUR

5. REVIVAL

5.1 The third plenary session of the eleventh Central Committee of the Chinese Communist Party held in December 1978 was a turning point with far-reaching significance. It marked the beginning of the correction of the Leftist mistakes during the past decades, particularly those made during the cultural revolution. A main plank of government economic policy was to introduce the responsibility system for agricultural production which enabled peasants to have more decision making power over their performance.

5.2 Based on this fundamental change, the government first

raised procurement prices of various agricultural products and then released most of the compulsory procurement targets except for a few products still purchased on the commission of the government. S.M.C's generally purchased at a negotiated price, or marketed goods on a consignment basis for the peasants. Because S.M.C's began to serve the peasants economically and brought tangible benefits to their members, the peasants began turning back to the cooperatives, from their previous attitudes.

5.3 Since 1982 the Chinese Communist Party and the government have formulated policies every year on S.M.C. reform. They point out that S.M.C's should restore and intensify the cooperative values of member participation, democratic control and flexible management.

5.4 S.M.C's should serve peasants in their production and daily lives so as to attract peasant members and put their basic role of rural commodity circulation into full play. In the process of restoring their co-operative nature and expanding the scope of services offered, S.M.C's should gradually become integrated service centres for rural supply, marketing, processing, storage transport and farm extension. The government's general economic reform policies and specific policies for S.M.C's have resulted in favourable circumstances for S.M.C. revival and have had a great impact on their development.

5.5 Since 1982 S.M.C's have systematically reformed in three main respects.

1. S.M.C. primary societies have attempted to re-register members and encourage member investment. By 1985 member share capital increased to 2.2 billion sixfold over that in 1982. So peasants now feel in an economic sense that the cooperatives are owned by themselves.
2. They elect people to the Board of Directors and a Supervision Committee. Nowadays one hundred thousand peasants are elected as members of Board or Supervision Committees of S.M.C's and S.M.C's recruit four hundred thousand staff from their peasant members which has improved the relationship between the cooperative and its members.
3. S.M.C's now provide overall services covering the whole farm production process and organise specialised production associ-

ations and run technical training courses for five million members a year.

5.6 Although there is still a long way to go for S.M.C's to eradicate totally their bureaucratic working style, they have achieved great success in their organisational structure and economic activities towards their genuine cooperative aims.

PART FIVE

6. CONCLUSIONS

6.1 It is undoubtedly true that governments should play an important role in cooperative development; particularly in developing countries. To analyse such a role from a macro sense it is evident that the right government socio-economic policies are prerequisites for cooperative birth and growth.

6.2 Secondly, because of the low levels of economic strength and management skills, it is always necessary in developing countries for the government to take the initiative towards cooperative formation.

6.3 However, such government assistance should remain as guidance aimed at developing cooperative self-help rather than becoming interference into the cooperatives' autonomy and independence.

6.4 Thirdly, although cooperatives are generally regarded by the government as appropriate instruments for development, they should be recognised from their nature as being peoples' organisations. Over-expectation of cooperatives and too many regulations from the government, even when well-meaning, may have the consequence of divorcing the cooperative from its members.

6.5 Fourthly, except for the initial stages of cooperative birth and growth, government policy should provide equal conditions for competition between different sectors. Preferential treatment given to cooperatives may jeopardise their development just as much as negative treatment. The priority should be to emphasise the importance of self-help and the need to serve their members.

6.6 Co-operative development is a complex process in which the role and policies of the government play an important part. Therefore, cooperators are committed to study this subject to learn from past experiences and the present situation, so as to be able to appeal to the government for their more positive actions towards cooperative development.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE MOVEMENT IN INDIA

C. SRINIVASA SASTRY*

1. COOPERATIVES—A NATIONAL PROFILE

1.1 The Cooperative Movement in India was introduced by the Government in the beginning of this century. It was meant to provide relief to the farmers from the usury of money lenders which had assumed alarming proportions. It has grown over the years from strength to strength and come to stay in the country as the hope of the millions. It has now emerged as the largest in the world in terms of numbers and membership. There are 315,000 cooperative societies in India with a total membership of 150 million. The rural population of the country being 77%, the Cooperative Movement in India is largely in rural areas. In the agriculture sector, cooperatives play a significant role in disbursement of credit, manufacture and distribution of fertiliser marketing and agro-processing. Cooperatives play a significant role in increasing agricultural production and productivity.

1.2 The Cooperative Movement in recent years has undergone progressive expansion and diversification. In 1950-51 when the planned process of development began in India after independence, the total agricultural credit disbursed by cooperatives was a mere Rs. 0.23 billion. This amount increased to Rs. 35.08 billion in 1986-87. The value of agricultural produce marketed by cooperatives, which stood at Rs. 0.47 billion in 1950-51 rose to Rs. 40.14 billion in 1986-87. In the distribution of fertilisers, cooperatives have crossed the mark of 3.18 million tonnes of NPK during 1986-87 accounting for nearly 35% of fertilisers distributed in the country. The cooperatives have emerged as

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the major sector in the sugar industry with a 56% share of national production of sugar. In the dairy programme of "Operation Flood" cooperatives are playing a significant role. In recent years, cooperatives also have entered the field of fertiliser manufacturing. The Indian Farmers Fertiliser Cooperative Limited (IFFCO) and the Krishak Bharati Cooperative Limited (KRIBHCO) manufacture between themselves 3.2 million tonnes of fertilisers annually, which is 18% of the total production of fertilisers in the country.

2. COOPERATIVE DEVELOPMENT STRATEGY—ROLE OF GOVERNMENT

2.1 The milestones in cooperative policies and programmes are the result of deliberations of various Committees, taking into account the needs of emerging situations and the impact of political and cooperative leadership. A brief mention may be made of the broad contours of the evolution of the cooperative policies and programmes in India.

(i) **Cooperative Credit Societies Act, 1904**

The Government of India appointed a Committee under Sir Edward Law whose recommendations formed the basis of the Cooperative Credit Societies Act, 1904. This Act concerned itself mainly with the cooperative credit societies, which were intended to tackle the problem of rural indebtedness. The legislative support to cooperatives in India thus began with the passing of this Act.

(ii) **Cooperative Societies Act, 1912**

The Cooperative Credit Societies Act, 1904 did not provide for societies other than credit societies or for federal societies. With the enactment of the 1912 Act, this lacuna was removed. This Act was in response to the requirements of a need-based programme which points to the fact that emerging programmes called for a change in the legislative policy frame-work.

(iii) **Government of India Act, 1919**

In terms of this Act, "Cooperative Societies" became a "transferred" subject and each Province began to enact its own cooperative legislation. The first in the series was the Bombay Cooperative Societies Act, 1925.

- (iv) **Royal Commission on Agriculture, 1928**
Royal Commission on Agriculture in its Report mentioned that "If Cooperation fails there will fail the best hope of rural India."
- (v) **Reserve Bank of India Act, 1934**
According to this Act, the Central Bank of the country was brought into to support cooperative credit movement. The R.B.I. and now the National Bank for Agriculture and Rural Development (NABARD) (Year: 1982) are playing a leading role in the development of Cooperative Movement in the country.
- (vi) **Cooperative Planning Committee, 1945**
This Committee constituted by the Government emphasised, "It is upon a policy of active economic development by the State that the success of cooperation will depend". The Committee was of the view that for the success of cooperation, a responsible democratic form of Government was necessary. The *laissez faire* policy of the then Government was listed as one of the main causes for inadequate development of Cooperative Movement.
- (vii) **Cooperation in Five Year Plans**
The advent of Planning in early 50's, with its moorings in democracy and socialism, the thrust on growth with social justice and adoption of socialistic pattern of society, have added a new significance and positive role to Cooperation in supporting the farmer, the worker, the artisan and the consumer. The democratic character of the Movement, combined with its federal structure, in which an individual member of a primary society in a village could draw support from a national level cooperative organisation, renders the Movement an effective instrument for decentralised planning and implementation of various economic activities by the people involved in these activities. Cooperatives offer a countervailing force against the exploitative propensities that develop in the economy and thus protect and promote the interests of weaker sections of the society.

(viii) **Rural Credit Survey Committee, 1954**

The report of this Committee constituted a landmark in the development of cooperatives in the country. The Committee proposed an integrated scheme of rural credit based on three basic principles viz. (a) State partnership in cooperatives at different levels; (b) integration of credit with other economic activities; and (c) administration through adequately trained and efficient personnel responsive to the needs of the poor.

(ix) **Emergence of National Cooperative Federations**

The late 50's and early 60's saw the emergence of national level cooperative federations for various sections of the Cooperative Movement. These federations provide business and technical support to the respective sectors. With the establishment of these All India federations, the Movement has become national in character. 15 National Level Cooperative Federations have been organised to coordinate and to provide support at the national level to the activities of cooperatives in different fields i.e. credit, marketing and consumers etc.

(x) **All India Rural Credit Review Committee, 1968**

This Committee, set up by the Reserve Bank of India, recognised a multi-agency approach, which meant that, besides cooperatives, other agencies like the commercial banks will also be pressed into service for dealing with the problems of rural India. It is on the recommendations of this Committee that Small and Marginal Farmers' Development Agency was set up to deal specifically with the problems of small and marginal farmers.

(xi) **Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), 1981**

It is on the recommendations of this Committee that the National Bank for Agriculture and Rural Development (NABARD) has been set up.

(xii) **Committee on Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives (1987)**

The Government of India appointed a Committee on

Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives. In its Report submitted in 1987, the Committee has suggested the deletion of certain provisions from the Cooperative Societies Acts which, according to the Committee, militated against the democratic character and autonomy of cooperatives. The provisions recommended for deletion include:-

- (a) compulsory amendment of byelaws of a society by the Registrar of Cooperative Societies;
- (b) power of veto to Government nominee;
- (c) power to annul or rescind the resolutions of the Board by the Registrar/Government;
- (d) indiscriminate supersession of cooperatives;
- (e) restrictions imposed on holding of office by the same person for a long time in a cooperative or simultaneously in a number of cooperatives.

The Committee has further observed that when State partnership in cooperatives was accepted in 1955, the guiding principle was that wherever government has contributed to the share capital, the number of government nominees should not exceed 3, or 1/3rd of the total number of members on the Board. The Committee has recommended that this understanding between the government and the Movement should be honoured and the provisions in the Cooperative Societies Act should conform to this particular principle. The Committee further recommended that government nominees should be government officers well-versed with the particular sector of the activities, or other professionals, and that government should under no circumstances nominate cooperative or political leaders as their nominees. The government nominees, the Committee added, should not also seek any election to any office in cooperative nor should they vote in the elections. Nominated directors, according to the Committee, should have the same accountability as elected directors. Regarding politicisation of cooperatives, the Committee has observed that cooperative democracy is based on common economic interests, which is quite different from political democracy. Elections in cooperatives should not, therefore, be fought with reference to political affiliations. The Committee further suggested that members of the local bodies, legislative assemblies and Parliament should not be allowed to hold office in cooperatives.

Legislative Support:

2.2 Under the Indian Constitution, 'Cooperative Societies' is a subject allotted to the federating States. Every State has enacted cooperative legislation to govern the incorporation, regulation and winding up of cooperative societies in its own jurisdiction. These Acts also confer privileges on and concessions to cooperatives. In recent years, these Acts have been amended to provide for promotion of interests of weaker sections and also to stem the possible growth of vested interests in cooperatives. Cooperative legislation in one of the State lays down "It shall be the duty of the Government to encourage and promote the cooperative movement in the State and take such steps in this direction as may be necessary"

Policy Support

2.3 The Government's policy towards cooperatives is reflected in the Plan documents to which a reference has already been made. The Directive Principles of the Constitution of India enunciate that "the State shall endeavour to promote cottage industries on individual or cooperative basis in rural areas" The Industrial Policy Resolution (1956) of the Government of India observed that "the principle of Cooperation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along cooperative lines" In the matter of licensing of new capacity in the sugar industry and oil mills, preference is given to cooperatives. Similarly, in the matter of allocation of imported fertilisers, preference is given to cooperatives. Government's price support policy for remunerative prices to the farmers is implemented through cooperatives. National Agricultural Cooperative Marketing Federation of India (NAFED) has been appointed as the Central Nodal Agency on behalf of the Central Government for market intervention in a number of commodities. The policy support from government has thus led to expansion of the cooperative activities.

Financial Support

2.4 Large public funds are committed to support the Cooperative Movement in its various activities, particularly in the rural sector. The government's assistance to cooperatives is given in the

shape of contribution to the equity, loans for working capital and subsidies. Assistance obtained from financial institutions is also guaranteed by government. The Plan outlay on Cooperation in the First Five-Year Plan (1951-56) was Rs. 70 million against which the expenditure was Rs. 50 million. In the Sixth Plan (1980-85), the total Plan outlay was of the order of Rs. 9.14 billion and the actual expenditure was Rs. 10.6 billion. During the current Seventh Five-Year Plan (1986-90) the Plan outlay on Cooperation is Rs. 14.7 billion.

3. INSTITUTIONS SPONSORED BY GOVERNMENT OF INDIA TO SUPPORT COOPERATIVES

Reserve Bank/NABARD

3.1 The Reserve Bank of India was till recently responsible for overall development and providing policy, planning and financial support to rural credit. The setting up of the National Bank for Agriculture and Rural Development (NABARD) in July, 1982 by an Act of Parliament as an Apex Body, to take over these functions from the Reserve Bank of India, is a land-mark in the field of rural credit. The functions of NABARD, according to its charter are: for providing credit for promotion of agriculture, small scale industries, cottage and village handicrafts and other rural areas with a view to promoting integrated rural development and securing prosperity of rural areas. It is an apex refinancing agency to eligible institutions viz. State Land Development Banks, State Cooperative Banks, Commercial Banks and Regional Rural Banks for different purposes covering both investment and production credit. The credit facilities cover a wide range of activities both in the farm and the non-farm sectors. During the year 1987-88 the short-term credit limits sanctioned to the State Cooperative Banks on behalf of Central Cooperative Banks were of the order of Rs. 19.78 billion up to March, 1988 and total amount subscribed by NABARD towards Special Development Debenture Flotation was to the tune of about Rs. 4.70 billion.

National Cooperative Development Corporation

3.2 Government set up the National Cooperative Development Corporation (NCDC) in 1963, under an Act of Parliament. The

NCDC is essentially a promotional and developmental organisation and is responsible for country-wide planning and promotion of various programmes through cooperatives, of marketing, processing, storage and also supply of agricultural inputs to the farmers. Promotion and financing of special programmes for weaker sections such as fishery, poultry, dairy, tribal cooperatives, Scheduled Castes cooperatives, handloom cooperatives and consumer cooperative activities in the rural areas, besides development of backward areas, is a major responsibility of NCDC. It has so far given a total assistance of Rs. 12.84 billion for various cooperative economic activities.

National Dairy Development Board

3.3 With the passing of the National Dairy Development Board Act, 1987, the then National Dairy Development Board has become the Statutory Organisation sponsored by the government, combining into it the functions of Indian Dairy Corporation, to expand the dairy cooperatives in the country. "Operation Flood" is the popular name of dairy development programme through cooperatives in vertically integrated system of production, processing and marketing. It has provided tremendous help in increasing the milk production in the country, largely benefiting the small farmers. The National Dairy Development Board is also taking up programmes for the development of oilseed processing and marketing.

4. NATIONAL COOPERATIVE UNION OF INDIA/NATIONAL COUNCIL FOR COOPERATIVE TRAINING

4.1 The National Cooperative Union of India which is the spokesman of the Cooperative Movement of the country has its origin in 1929. It is vested with the responsibility of the programme of cooperative training and education. Training of cooperators is very important. In this area, the government provides large support to the Cooperative Movement. There is a National Council for Cooperative Training (NCCT) located in the National Cooperative Union of India. The Council has under its administrative control one National Institute for Cooperative Management for training of senior personnel. It also has 18 Cooperative Training Colleges for the training to the intermediate category of personnel. The Council also provides training facilities to foreign scholars in

these colleges under the Colombo Plan and Special Commonwealth African Assistant Plan, in pursuance to the aid provided by the Government of India for the less developed countries. The Council provides academic support and guidance to 91 Junior Cooperative Training Centres managed mostly by the State Cooperative Unions. The National Cooperative Union of India monitors, supervises and coordinates the Cooperative Education Programme implemented by the State Cooperative Unions in the country.

5. COOPERATIVES AND WEAKER SECTIONS

5.1 The main thrust in the Cooperative Movement is on providing help and self-support to the members of weaker sections. 45% of credit disbursed is given to weaker sections. Special type of cooperatives called LAMPS (Large Sized Multipurpose Societies) have been organised in tribal areas. Besides dairying, special programmes are being initiated for fisheries, labour, poultry and handlooms, etc. The strategy for helping weaker sections through cooperatives consists of:—

- (i) increasing the membership of weaker sections in the existing cooperatives;
- (ii) progressive increase of loans to weaker sections on more liberal terms;
- (iii) introducing legislative provisions for representation to weaker sections on the Boards of Management of cooperatives; and
- (iv) organisation of cooperatives for specific activities like dairy, poultry, etc. which would particularly help the weaker sections.

6. GOVERNMENT'S ROLE IN COOPERATIVES—A FUTURE PERSPECTIVE

6.1 It may be observed from the above account of the development and activities of the Cooperative Movement in India that government has been instrumental in catalysing and sponsoring the Cooperative Movement in India and is still playing an important role in assisting the development of cooperatives, both financially and technically. It helps in creating an environment

for the healthy growth of cooperatives and encourages the cooperative spirit and endeavour. As indicated earlier, political and cooperative leadership has considerably influenced government's policies on cooperatives and the programmes of cooperatives. The state has to perform the role of a welfare state and the Cooperative Movement needs the support of the government. Therefore, their role has to be complementary to each other. A harmonious relationship between the government and the Movement is very necessary. While the government is committed to strengthen the cooperatives, cooperatives have also been exhorted to achieve newer heights in organisational and professional competence and skills to share the government's efforts for economic development. This can be possible only through an enlightened leadership. Fortunately, in India, the Cooperative Movement is on the right track.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN INDIA

RAI SINGH*

1. HISTORICAL BACKGROUND

1.1 Cooperation as a socio-economic philosophy, has been well known in India since ancient times, when people practised it as a way of life. But it was only in 1904 that Cooperation was recognised as a corporate business proposition "largely with a view to providing agriculturists with institutional facilities for obtaining the capital required for agricultural operations otherwise than on usurious rates of interest". The factors which prompted the birth of Cooperative Movement in this country were the product of backlash of industrial revolution, exploitative policies of an alien government, decline of village and cottage industry and occurrence of a series of famines during early years of 19th century.

1.2 In the initial stages, cooperatives were basically meant to provide credit to agriculturists. However, from 1912 onwards, with the enactment of Cooperative Societies Act of 1912 organisation of non-credit cooperatives was contemplated. After 1919, Cooperation became provincial subject and various provinces enacted their respective cooperative laws.

1.3 With the attainment of independence in 1947, nation adopted planned economic development for establishing an integrated and just society wherein Cooperation was adopted as principal instrument for socio-economic development, particularly that of rural areas and government became committed to provide all support to cooperatives.

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2. EVOLUTION OF COOPERATIVE POLICY

2.1 During post-independence period, Government of India appointed a number of Working Groups/Expert Committees to formulate guidelines and policy for cooperative development. Important of these committees are mentioned below:

(a) All India Rural Credit Survey Committee (1954)

The Committee was appointed by the Reserve Bank of India and it prepared a blue-print for State partnership in cooperatives at various levels for the first time. The Committee was basically concerned with the examination of rural credit system and in that context it recommended state partnership including financial partnership at various levels of cooperative organisational structure for implementing an integrated scheme of rural credit covering agricultural inputs, fisheries, dairying, animal husbandry and cottage industry. The Committee also recommended a comprehensive programme of cooperative education and training with the financial support of government. The approach to cooperative development recommended by All India Rural Credit Survey Committee became the basis of future direction of cooperative growth.

(b) Resolution of National Development Council on Cooperative Policy (1958)

Although the Government implemented the recommendation of All India Rural Credit Survey Committee, it also became conscious of the impending negative impact of state partnership on autonomy and philosophy of Cooperative Movement. Therefore, the National Development Council called upon the government to develop cooperation as a people's movement. "For the development of cooperation as people's movement" it visualised, "it was essential that cooperative should be organised on the basis of village community as primary unit and that responsibility and initiative for social and economic development at village level should be placed fully on the village cooperative and village panchayat" In this context, the resolution emphasised on removal of restrictive features of the existing cooperative legislation; simplification of cooperative practices and procedures so as to ensure functioning of cooperatives without "excessive official interference"

(c) Working Group on Cooperative Policy. (1959)

Based on the guide points suggested by resolution of National Development Council, Government of India appointed a Working Group on Cooperative Policy to outline the parameters of cooperative development. Important recommendations of Working Group were abolition of practice of nominating government officials as Chairmen of Board of Directors in cooperatives, simplification of cooperative law for ensuring popular character of the Movement; decentralisation of powers of Registrar of Cooperative Societies and smooth deofficialisation of Cooperative Movement.

(d) Committee on Cooperative Administration (1963)

The Committee was of the view that with a view to making Cooperative Movement a people's Movement and to developing popular initiative within the Movement, role of Registrar should be confined to that of a "friend, philosopher and guide" and the powers which have been concentrated in the institution of Registrar should be transferred to federal cooperative organisations.

(e) Mirdha Committee on Cooperation (1965)

For the first time, the growth of Cooperative Movement was examined after All India Rural Credit Survey Committee. Mirdha Committee on Cooperation observed that whatever ills, the Cooperative Movement was facing, were the result of the policy of the government for deliberate expansion of Cooperative Movement. Such tendency had not only tempted government to have greater say in the internal management of cooperatives, but it had also created problem of mushroom growth of non-genuine cooperatives. Therefore, the Committee recommended that only actual users and the needy ones should be admitted as members of the cooperatives. The Committee also recommended that Cooperative Movement should be recognised as an instrument for promoting social justice under cooperative law. The provisions of the cooperative law which hampered the autonomy and cooperative ideology should be removed and the efforts should be made to promote Cooperative Movement as a self-reliant movement for which greater emphasis should be given on programme of cooperative education.

**(f) Working Group of Administrative Reforms Commission (1967)
on Cooperation**

The Working Group endorsed the recommendations of Committee on Cooperation (1965) and Committee on Cooperative Administration (1963) and recommended for progressive deofficialisation of Cooperative Movement, and devolution of certain powers of Registrar, Cooperative Societies on federal organisations. Besides, the Working Group also felt for larger government's support so as to enable cooperatives to act as agency for achieving the social objectives and carry out enormous task envisaged for them under Five-Year Plans.

(g) Review Committee of the National Cooperative Union of India (1969)

This Committee expressed the viewpoint of Indian Cooperative Movement and categorically recommended that government's financial assistance should not be used as a cover to induce government's interference. The other important recommendation of the Committee was devolution of powers of Registrar of Cooperative Societies on Cooperative Movement itself so as to make it self-regulatory and autonomous and deofficialised Cooperative Movement.

(h) Views of Indian Cooperative Congresses

The Indian Cooperative Congress, the highest forum of Indian Cooperative Movement is convened by the National Cooperative Union of India every three years. So far 10 such Congresses have been held. All the Congresses unequivocally recommended that although government's assistance and support for cooperative development was essential, it should aim at making cooperatives self-reliant, self-regulatory and people's organisations.

(i) National Policy Resolution on Cooperation (December 1977)

In 1977, Government of India brought out a 12-point national policy resolution on cooperation, as given below:

(i) Cooperatives to be built up as one of the major instruments of decentralised labour intensive and rural oriented economic development;

- (ii) Close association of cooperatives with the process of planning and social change;
- (iii) Cooperatives to be developed as "shield for the weak";
- (iv) Promotion of cooperative development on a national basis and removal of regional imbalances in the cooperative growth;
- (v) Development of Cooperation as an autonomous and self-reliant movement free from undue outside interference and excessive control as also from politics;
- (vi) Removal of corruption and mal-practices from the Cooperative Movement;
- (vii) Development of cooperatives based enlightened participation of broad-based membership, free from domination of vested interests;
- (viii) Development of a strong and viable integrated cooperative system for total and comprehensive rural development;
- (ix) Development of a net work of agro-processing and industrial units;
- (x) Development of consumer cooperative movement to strengthen public distribution system;
- (xi) Formulation of streamlined organisation system, simple and rationalised procedures for cooperatives;
- (xii) Development of professional management for cooperatives.

3. GOVERNMENT OBJECTIVES OF COOPERATIVE DEVELOPMENT

3.1 Cooperation has been accepted as an instrument of economic planning by the State. The National Development Plan, which lays down strategy for development, recognises cooperatives as the most effective vehicle for socio-economic transformation particularly in regard to removal of poverty and creation of fuller employment opportunities. The 20-Points Programme, 1986 given to the nation by the Prime Minister for renewing national commitment to eradicate poverty, raise productivity, reduce income inequalities and to improve quality of life of the people emphasises revitalisation of cooperatives and local institutions for poverty alleviation programme.

3.2 The objectives of development are outlined by the plan documents. A study of plan documents shows that till Third Five-Year Plan which ended in 1966, the long-term objective of cooperative development set out by the government was to establish self-reliant and decentralised economic system through cooperatives. The following observations contained in various plan documents will be relevant to mention:

(a) The First Five-Year Plan stated "as it is the purpose of the plan to change the economy of the country from an individualistic to social and cooperative basis, its success should be judged, among other things, by the extent to which it is implemented through cooperative organisations:"

(b) Second Five-Year Plan maintained, "building up cooperative sector as a part of scheme of planned development was one of the central aims of National Policy;"

(c) Third Five-Year Plan observed, "A rapidly growing cooperative sector with special emphasis on the needs of the peasants, the workers and the consumers becomes a vital factor for expansion of employment opportunity and for rapid economic development."

3.3 After 1969, with the adoption of multi-agency approach to development, long-term objective of cooperative development was redefined, particularly, for ensuring increased agricultural production, promotion of rural development, public distribution system and generation of employment opportunities. The Fourth Plan outlined the approach to cooperative development thus, "it will be a part of the policy during the Fourth Five-Year Plan to ensure that the opportunity before cooperatives should be as large as varied as they can utilise."

Similar approach was adopted by successive five year plans.

4. STATUS OF COOPERATIVES

Constitutional status

4.1 In country's Constitution cooperatives are recognised only to a limited extent. The Directive Principles of State Policy contained

in Article 41 and 42 envisage organisation of village and cottage industry either on cooperative lines or on individual lines.

Administrative status

4.2 Cooperation is a provincial subject and responsibility of its administration is carried out by the State Department of Cooperation. In the States, there is usually a Minister, Incharge of Cooperation. The Registrar, Cooperative Societies, who is administrative head, functions under directions of the concerned Minister through the Secretary to State Government, Department of Cooperation. At national level, the subject of Cooperation is with the Department of Agriculture and Cooperation in the Ministry of Agriculture headed by Minister of Agriculture, who is assisted by a permanent Secretary, Additional Secretary and a Joint Secretary. However, some segments of cooperative sector such as consumer cooperatives, transport cooperatives, housing cooperatives, labour cooperatives, industrial cooperatives, weavers cooperatives are under the administrative control of other concerned Ministries. Administration of Multi-State Cooperative Societies, whose area of operation is more than one State, is carried on by the Central Registrar of Cooperative Societies located in the Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India.

5. PRESENT SITUATION ABOUT GOVERNMENT'S ROLE

5.1 Important spheres of Government's role in promoting cooperative development are as follows:

- (i) Formulation of various policies and programmes for cooperative development from time to time;
- (ii) Defining the place of cooperatives in national development, plan by determining various targets of cooperative development;
- (iii) Enactment of cooperative legislation and its execution;
- (iv) Financial support including providing guarantee on behalf of cooperative institutions so as to enable them to obtain financial support;
- (v) Administration and supervision of cooperatives;

(vi) Promotion of cooperative education and training programmes;

(vii) Establishment of coordination between public sector undertakings and cooperatives.

Policy Formulation

5.1.1 Policy perspective for cooperative development is set out by the government in the documents of Five Year Plans. For this purpose, the government generally appoints task forces and subject matter Working Groups wherein representatives of cooperative sector are also associated. The reports of these task forces/subject matter Working Groups are considered by the Planning Commission of the country for formulating policies and programmes of cooperative development. However, there is no association of Cooperative Movement in the Planning Body of the country. A few years back, the National Cooperative Union of India had approached Central Government and State Governments to provide representation to cooperatives on the planning bodies. However, it has not materialised so far.

5.1.2 In order to ensure that viewpoint of the Cooperative Movement is placed before the government, a National Cooperative Council having representation of Cooperatives has been set up at the level of Central Government in the Ministry of Agriculture. Union Minister of Agriculture is the Chairman of the Council. The Council meets from time to time and discusses various policy issues pertaining to cooperative development. Likewise such cooperative Councils do exist in some states.

5.1.4 The National Cooperative Union of India, being the apex body of cooperatives also organises National Cooperative Congress and subject matter Conferences and Seminars from time to time. In these events representatives of both Central and State governments are invited to participate. In this way, the support of government in policy formulation as per the expectations of the Movement is ensured.

Defining the place of Cooperation in national development plan

5.2.1 The document of every Five-Year National Development

Plan incorporates a chapter on Cooperation broadly outlining the approach and targets of cooperative development. In earlier period of planning in the country, cooperatives enjoyed a significant place and status in the overall economic development programmes of the government. However, after 1969, the role of cooperatives has been limited only to certain sectors. The areas which were exclusively reserved for cooperatives namely; agricultural credit, agricultural input, distribution of consumer articles, now are no more exclusive reserve of cooperatives, which have to compete with other agencies in both public and private.

5.2.3 In national development plans cooperatives are not recognised as distinct sector in spite of their significant contribution and diversification. Such sort of situation also denies cooperatives of having the benefit of long-term policy perspective as it is in case of private and public sectors. Cooperatives can gain their well merited place in national development programmes only if cooperatives are given status of distinct sector as it is in case of private and public sectors. In the past, the NCUI had also approached the Government and the Planning Commission to recognise cooperatives of the country as a distinct sector.

5.3.1 Enactment of cooperative legislation and its execution

5.3.2 Cooperation is a State subject and, therefore, provincial governments are empowered to enact cooperative laws for their respective States. However, for those cooperative organisations whose area of operation is more than one State, Central Government has enacted a Multi-State Cooperative Societies Act.

5.3.3 In spite of very clear policy pronouncements by various Expert Committees/Working Groups appointed by Government from time to time, the trend of cooperative law has not been progressive as expected. Some of the provisions which need progressive and radical changes are as follows:

- (i) Compulsory amendment of bye-laws by the Registrar;
- (ii) Power of government to nominate Directors on the Committee of Management of cooperatives;
- (iii) Power of the government nominees on the Committee of Management to veto the resolution;

- (iv) Power of the Registrar/State Government to rescind or annul resolutions;
- (v) Supersession and suspension of Management Committees;
- (vi) Automatic supersession of credit cooperative in case of overdues;
- (vii) Restriction on term of office-bearers of cooperative societies;
- (viii) Restrictions on holding office in a number of cooperatives simultaneously;
- (ix) Compulsory amalgamation and division of Society by the Registrar;
- (x) Power of Registrar or government to give directives.

5.3.3 The Committee on Cooperative Law for Professionalisation and Democratisation of Cooperatives, appointed by the Government of India, also considered number of above mentioned provisions and has recommended suitable amendments. The Report of the Committee is under examination at the level of the Cooperative Movement and the government.

5.4.1 Financial Supports

5.4.2 As a policy, government gives great deal of financial support to cooperative institutions in the shape of share contribution, loans both for fixed and working capital, guarantee for the loans raised by the cooperatives from other financing institutions such as NABARD, Industrial Finance Corporation of India (IFCI); Industrial Development Bank of India (IDBI), etc. Specific allocations in Five-Year Plans for cooperative development are made both by the Central as well as State Governments.

5.4.3 Central Government have set up National Cooperative Development Corporation (NCDC) under a separate statute of Parliament for planning, promotion and implementation of a variety of cooperative development projects in the sphere of agro-processing storage and marketing of agricultural and forest produce, consumer sector and development of backward and rural sector. Another important agency to provide financial support to cooperatives is National Bank for Agriculture and Rural Development (NABARD). Besides, a number of Corporations have been set up

by the government for promotion of various segments of cooperatives. For example, National Dairy Development Board has been constituted by Government of India for promotion of dairy cooperatives. Of late, this institution has also undertaken responsibility to promote vegetable cooperatives and oilseed cooperatives. The Board is also promoting rural electrification cooperatives. For promotion of weavers cooperatives, State Handloom Development Corporations have been set up. Similarly, for tribal development, State Tribal Cooperative Development Corporations have been set up.

5.5.1 Administration and Supervision

5.5.2 In the federal set up of government Cooperation is provincial/state subject. Every province/state has a Department of Cooperation headed by the Registrar, Cooperative Societies who is drawn from Indian Administrative Service. Entire Department is divided into various functional subject matter divisions headed by Joint Registrar/Additional Registrars. Administratively entire state/province is divided into different divisions, districts and community development blocks. At every level, there is Department of Cooperation, which is headed by an Officer who is responsible to the Registrar, Cooperative Societies at state level. Registrar derives administrative and legal powers from cooperative law of concerned state. Administratively, he functions under supervision and control of Minister through the Departmental Secretary. The Central Government also has Department of Agriculture and Cooperation, for formulation and implementation of national policies and programmes for cooperative development. Besides, Central Government sponsors and implements central sector schemes for cooperative development. In addition to developmental and policy formulation, the Department of Agriculture and Cooperation through the Central Registrar of Cooperative Societies is responsible for administration and control of national cooperative federations and multi-state cooperative societies whose area of operation is more than one province. For this purpose a separate central legislation namely Multi-State Cooperative Societies Act has been enacted.

5.5.3 In the entire administrative and supervisory set up of cooperatives, Registrar of Cooperative Societies is the key figure. His role was visualised as that of a "Friend, Philosopher and Guide". However, in actual practice, the role and functions of

the Registrar, Cooperative Societies have become more regulatory in their nature and sometimes making serious inroads in the internal autonomy of cooperative organisations. Further, the administrative exigencies at the level of the government lead to quick changes of Registrars that adversely affects the efficiency of cooperative department. Therefore, there is need for rationalisation of the role, powers and functions of Registrar of Cooperative Societies so that he functions as "Friend, Philosopher and Guide" in the true sense of the term.

5.6.1 Education and Training

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

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

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

5.6.5 While the Central Government provides financial support

to National Cooperative Union of India for cooperative education programme and training of senior and intermediate category of personnel, State Governments provide financial resources to State Cooperative Unions for implementing these programmes. The quantum of financial support available from the government in the context of the requirements of cooperative education and training programme is inadequate. The Movement is, therefore, making efforts to mobilise resources from within. Cooperative Education Fund with the contribution of the cooperative organisations has been set up both at the level of State Cooperative Unions and National Cooperative Union of India to support cooperative education and training programmes. Besides, self-financed specific programmes have also been introduced to meet the requirement of some cooperative organisations, which meet the entire cost of such programmes.

5.7.1 Establishing coordination between public sector undertakings and cooperatives

5.7.2 For various sectoral development programmes, both Government of India and State Governments have set up public sector corporations, particularly, in the field of distribution, agro-industries, and marketing operations. The government formulates guidelines for coordination between cooperatives and such corporations. However, sometimes reluctance on the part of these corporations in patronising cooperative sector for their operations is also observed.

6. COOPERATIVES AS MEMBERS' ORGANISATION VIS-A-VIS AS AGENCY OF THE GOVERNMENT

6.1 Adoption of Cooperation as an instrument of economic planning in this country was result of the thinking of our leaders for establishing a just economic order where users will be owners of enterprises and economic benefits will be equitably distributed and participation of beneficiaries will be ensured in the management of enterprises. It was also thought that organisation of cooperatives by those who have been exploited for centuries will cloak them with institutional strength to safeguard themselves from exploitation through self-help and mutual help and further cooperatives may also be used by the government to implement

the policies and programmes of nation's development. Therefore, the government aid to cooperatives or the State partnership in them was accepted as legitimate claim of cooperatives. Nevertheless as succinctly interpreted by All India Rural Credit Survey Committee state aid does not visualise any Government interference in the management of cooperatives.

7. POSITIVE IMPACT OF GOVERNMENT'S SUPPORT

7.1 The most important positive impact of government's support to cooperative development has been on its diversification and steady growth. At present, the cooperative sector consists of 315,000 cooperative societies of all types with a membership of 150 million persons and a working capital of Rs. 450,000 millions. The organisational structure emanates from village to national level consisting of primaries, secondary level, provincial level and national level cooperative societies. The National Cooperative Union of India is the apex of entire Cooperative Movement.

7.2 The principal segment of cooperative sectors are—(1) cooperative agricultural credit; (2) cooperative agricultural marketing; (3) cooperative agricultural processing; (4) consumer cooperatives; (5) cooperatives for artisans; (6) cooperatives for weaker sections; (7) urban credit cooperatives; (8) housing cooperatives.

7.3 Cooperatives are providing 50% of total institutional credit for agriculture, distributing 35% of total fertilisers, producing 56% of total sugar production, supporting procurement operations of parastatal institutions in the commodities of wheat, cotton, jute to the extent of 23.80%, 19%, 37% respectively of total procurement operations. Other important areas of cooperative development are dairying, agro-processing and fertiliser production. In the field of dairying, 50,000 dairy cooperatives covering over 5 million farming families have been set up in the country. The growth rate in these cooperatives has been nearly 20%. Similarly, in the sphere of agro-processing, cooperative sector has set up 2000 units in sugar, paddy, cotton, edible oil, seeds, jute etc. The cooperatives have also entered into sphere of fertilizer production. The two giant cooperatives namely; Indian Farmers Fertiliser Cooperative (IFFCO); and Krishak Bharati Cooperative (KRIBHCO) put together, produce 18% of total production of fertilizer in the country. In urban areas, urban

cooperative banks; and credit cooperatives; consumer, artisanal cooperatives have been playing a very important role to help the poorer sections of the community in the sphere of employment generation and consumer welfare. These are some of the illustrations of cooperative growth which have been possible with the active support of the government.

8. NEGATIVE IMPACT OF GOVERNMENT'S SUPPORT

8.1 *Non-implementation of National Policy:* The Policy Resolution of Government of India on Cooperation adopted in 1977 had visualised a policy for building up Cooperation as a vibrant democracy and as an autonomous self-reliant Movement free from undue outside interference and excessive control as also from politics. But the resolution was not implemented in its letter and spirit. With the result, restrictive Cooperative Law and over bearing role of government continue today. Further with the introduction of multi-agency approach in the field of agricultural credit and other spheres the policies of the government for cooperative development also became somewhat adhoc in nature and no long-term perspective was kept in view.

8.2 Other negative impact of government's role on the cooperative development may be summarized as under:

- (a) emergence of non-genuine cooperatives so as to take benefits of the government's financial assistance and support;
- (b) apathy of members;
- (c) interference in the day-to-day functioning of cooperatives leading to loss of autonomy and democratic character of cooperatives;
- (d) erosion in the basic values of Cooperation;
- (e) un-coordinated functioning of various segments of cooperatives;
- (f) obstruction in the growth of leadership.

9. PERSPECTIVE

9.1 Keeping in view both positive and negative impact of role

of government in promoting cooperative development and national priorities defined in Five Year Plans, the future perspective of cooperative development should aim at building Cooperation as a self-reliant system. However, before any strategy for building up self-reliance in the Cooperative Movement is worked out, it will be necessary to define the concept and parameters for self-reliance. In this context, it will be relevant to quote observations of the symposium organised by ILO on cooperative training policies in 1986. Symposium defined the concept of self-reliance as under:

“Ability to take decision on their own, plan their work, organise, deal with personnel matters, determine and implement their operations, manage and control their affairs.”

9.2 Based on this concept, the following parameters for self-reliance are identified:

- (i) the ability to take decision on their own;
- (ii) the ability to generate adequate financial resources with increased emphasis on members' equity;
- (iii) ability and competence to manage its affairs efficiently;
- (iv) the ability to influence the government in policy formulation in regard to cooperatives; and
- (v) the ability to manage their personnel matters.

9.3 As regards strategy for achieving self-reliance efforts should be made:

- (i) to increase the awareness of the members through effective extension and education programme with a view to actively participating in the affairs of their cooperatives;
- (ii) to ensure democratic process in the management of cooperatives leading to the emergence of enlightened, dynamic and effective leadership;
- (iii) to develop and implement suitable training systems to improve the professional skills and competence of staff;

(iv) to develop and implement suitable programmes for re-orienting functionaries of government and of other allied organisations with a view to changing their outlook and attitude to function as facilitators for cooperative development;

(v) to create institutional structures at all levels within the Cooperative Movement in order to effectively and efficiently plan, organise, staff, direct, coordinate and supervise their functioning;

(vi) to undertake cooperative business activities on professional and business lines in order to ensure economic viability;

(vii) to build up and strengthen cooperative financial institutions in order to enable them to provide necessary financial support to the Cooperative Movement;

(viii) to mobilise resources from within the Movement by promoting savings and thrift and by undertaking other activities such as insurance;

(ix) to devise suitable mechanisms for lobbying and influencing policy making bodies such as government and Parliament for the furtherance of the Cooperative Movement;

(x) to promote inter-cooperative trade;

(xi) to promote effective linkages and collaboration among cooperators which will lead to integrated functioning of the Movement; and

(xii) to promote a favourable and confident image of the Cooperative Movement through effective communication methods.

9.4 Self-reliance of the Cooperative Movement could be possible, if national cooperative organisations are sensitive and responsive to the needs of Cooperative Movement. They have to orient their functioning in such a way as would enable them to effectively deal with the aspirations and problems of their constituents and at the sametime influencing the government for providing positive support without any interference in the management of cooperatives. The national level apex cooperative

organisations to build up a self-reliant Cooperative Movement, should attempt:

(i) to effectively assist its constituents by providing necessary support services;

(ii) to assist and guide the constituents in the formulation and implementation of their development and business plans;

(iii) to set up an information system to help the apex organisations in monitoring and reviewing the performance of the constituents for guidance and assistance;

(iv) to take steps to build up adequate mechanism within the Movement for supervision and auditing;

(v) to help in expanding the development of new cooperatives in their respective sector;

(vi) to suggest new innovations to improve cooperative performance;

(vii) to encourage and promote education and training and development of cooperative leadership programmes; and

(viii) to be the spokesman of the respective sector within the Cooperative Movement.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT—INDIAN EXPERIENCE

K. SUNDARARAJULU*

1. COOPERATIVES CHARACTERISTICS

1.1 A cooperative is a voluntary association of individual producers and consumers for providing to themselves goods and services for their economic well-being. A cooperative is an autonomous institution whose management is grounded in democratic principles; it is the users of the organisation who, as its members, ultimately control its destiny. The surplus arising from the business is to be shared by members on the basis of the use they make of it. The lode-star of cooperatives is service to their members, and not any opportunistic profit. The cooperative form of organisation is versatile and can be harnessed to a variety of economic activities in different politico-economic milieus. A cooperative is thus unique in concept and distinct in character as an institution of, by, and for the people.

2. GOVERNMENT & COOPERATIVES : COMPATIBILITY

2.1 The genesis of the concept of cooperatives is to be traced to the Rochdale Pioneers who first established the first cooperative store in 1844 in England, and also enunciated the 'cooperative principles'. Laissez-faire was then the dominant feature of the State's economic policy. It was, therefore, natural that the cooperative thought and action were entirely independent of the government. But the last 150 years have witnessed a sea-change in the State's influence over the socio-economic environment of the people and their institutions. Cooperatives, which are present

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in practically all the countries, have also been subject to this expanding state influence in varying degrees. It is said that no civilised government can afford to ignore cooperatives.

2.2 Special legislation for cooperatives is a normal feature of many countries. "The cooperative societies were specifically legalised when the world's first cooperative law was passed by the British Parliament in 1852 in the form of Industrial and Provident Societies Act...

During the century that followed 1852, almost 4000 different cooperative laws, orders and decrees were created in different countries of the world. The number of statutory provisions kept step with progressive evolution of cooperatives.¹

2.3 Besides legislative support, financial and other support by government to cooperatives, particularly agricultural cooperatives, has also been widely prevalent. For example, the Constitution of the Italian Republic stated that "the law shall favour the establishment of such (cooperatives) societies, by the most suitable means...". In the USA the State sponsoring the financing of rural electric cooperatives through the Rural Electrification Administration led to the transformation and modernisation of American agriculture. Government's association with these rural electric cooperatives was viewed with suspicion by dedicated cooperative leaders like James Warbasse." "Absorbed in the ideology of cooperation and somewhat removed from its practical aspects, Warbasse,...felt strongly that the State and the Cooperative Movement has interest so opposed as to make any harmonious relationship impossible..."²

2.4 State's influence over cooperatives is now a reality. Modern State is deeply involved in the economic welfare and activities of its people. The objective of the State converges with that of the cooperative. Government and cooperatives are thus not wholly incompatible. As observed by the ICA Commission on Cooperative Principles, the Cooperative Movement "must recognise that the involvement in public policy and in other sectors of the economy that their own is inevitable, they would be mistaken to wish it otherwise".

1. International Handbook of Cooperative Legislation by Laszlo Valko.
2. The Farmer Takes a Hand by Marquis Childs.

3. COOPERATION AND AGRICULTURAL ECONOMICS

3.1 The significant contribution of cooperatives to the transformation and modernisation of agriculture, practically all over the world, is well recognised. The use of States finances for promotion of agricultural cooperatives has been in vogue in many countries including Europe and America. For instance, the Royal Decree (1951) in Belgium "authorised the Ministry of Agriculture to grant loans to agricultural cooperatives within the limits of its budget. The purpose of such loans is to facilitate and make more efficient, the methods of production, processing and marketing of agricultural products.³ In France also the agricultural credit societies received substantial monetary help from the government.

3.2 The need for cooperatives is greater in developing countries with low production and productivity in agriculture, which has to support a large rural population. The urban oriented industry, commerce and banking in these countries tend to operate to the disadvantage of the primary producer, the farmer. No government—more so a democratic one—in these countries can ill afford to ignore agriculture and the rural poor. The government's efforts, therefore, are on increasing agricultural production and productivity and ensuring that the gains of increased production accrue to the farmer. It is for this reason, that the government seek the help of cooperatives to reach inputs to the farmer for increasing production and productivity, and provide post-harvest facilities for increasing income. The Conference of FAO in 1948 considered that "cooperative societies are one of the best means of reducing the cost of farm production supplies, credit and marketing reducing the price of consumer goods to all people and developing crop insurance and other forms of mutual aid which will enable rural population to improve production and conditions of life." The developing countries are, however, in a hurry to make up for the lost opportunities, and the rate of economic development they envisage "does not leave much time for the Cooperative Movement to demonstrate the value of its principles and methods" It is in this context that the growth of cooperatives and the government's role in them in India need to be examined.

4. INDIAN-COOPERATIVES—A PROFILE

4.1 The first cooperative legislation in India, called the Cooperative Credit Societies Act, was enacted in 1904 by the then British Government. This Act ushered in the Cooperative Movement in India. The objective of the government was to protect the farmers from the menace of usury of the money lenders. Cooperation was thus State sponsored as a defensive mechanism, and analgesic "but it was only the setting up of cooperative societies that was so sponsored and for which arrangements were made. Economic policy needed in the poorer countries with the backward peasantry to make cooperatives succeed and forge ahead was entirely ignored." The Cooperative Movement in India had therefore, to await India's political freedom in 1947 and the advent of the era of planning in 1951.

4.2 A look at the record of cooperatives from 1904 to 1951 and from 1951 to 1986 as given in annexure, points to the progressively expanding role of cooperatives in rural economy after Independence. The total membership of cooperatives which was only 14 million in 1950-51 is now around 150 million; membership in village cooperatives increased from 4.4 million to nearly 70 million during the same period; agricultural credit disbursement of cooperatives increased dramatically from Rs. 240 million to over Rs. 32 billion. The agricultural produce marketed by cooperatives—in some cases after processing—rose from less than Rs. 500 million to over Rs. 40 billion; and the fertilizers distributed by cooperatives showed impressive growth from hardly 50,000 tonnes of nutrients in 1950-51 to nearly 4 million tonnes in 1986-87.

4.3 Another significant development is the dairy cooperatives on the well-known "Anand Pattern" which links the primary milk producers in the villages through farmer owned modern rural and city dairies to the urban consumers. There are nearly 50,000 dairy cooperatives covering over 5 million farming families. The annual milk procurement of cooperatives is around 2.8 billion. Thanks to the cooperative efforts, the Indian dairy industry has witnessed a growth rate of nearly 20% in recent years and is emerging as a major dairy country in the world.

4.4 Cooperatives have carved out for themselves a sizeable share—in some cases a major share—of national activity in agricultural sector. Farmers' cooperatives constitute the dominant sector in the sugar industry accounting for nearly 60% of national production of sugar. They now produce around 4.5 million tonnes of sugar annually as against hardly 30,000 tonnes in 1955-56. The share of cooperatives in fertilizers distribution in the country is 35 percent. Cotton cooperatives handle nearly 30% of country's cotton production.

4.5 Cooperatives have a significant and catalytic role in agro-processing. Besides sugar, the other commodities are paddy, cotton, edible oilseeds, jute etc. As against a few small primary processing units such as oil expellers and cotton gins in 1950-51, there are now over 2,000 cooperative agro-processing units, many of them involving large investments and modern technology and machinery for secondary and tertiary processing.

4.6 An interesting development in recent years is that, from fertilizer distributors, cooperatives have become fertilizer manufacturers also. The Indian Farmers Fertilizers Cooperative Ltd. (IFFCO) and the Krishak Bharati Cooperative Ltd. (KRIBHCO) manufacture between themselves 3.2 million tonnes of fertilizers annually, which is 18% of the total production of fertilizers in the country. The investment on the fertilizer plants of these two cooperatives is over Rs. 20 billion. The giant cooperatives are recognised in the industry for their excellence in performance.

4.7 The exponential growth of cooperatives in recent years have provided valuable support to agricultural development in India, a fact often overlooked. The food production in the country recorded a three-fold increase from 50 million tonnes in 1950-51 to over 150 million tonnes in 1983-84. The growth of Indian agriculture in recent years has won international acclaim. Generally, the areas with impressive agricultural growth are also the areas which have a strong agricultural cooperative structure, which illustrate the symbiotic relationship between cooperative and agricultural development. This is not, however, to underplay the crucial role of modern hybrid seeds, agricultural extension, increased irrigational facilities, rural electrification etc. in the modernisation of agriculture. The cooperatives have helped farmers to have access to various inputs and in processing and marketing of outputs to his advantages.

5. COOPERATIVE DEVELOPMENT—INFLUENCING FACTORS

5.1 The progressive expansion and diversification of cooperative activities in India is to be attributed to a combination of factors. First credit for this belongs to millions of people who formed themselves into and joined in the cooperatives and availed themselves of their services. Secondly, dedicated leadership is a sine qua non for spearheading any movement. The Indian Cooperative Movement has been fortunate in its leaders, both cooperative and political. Some of the major innovations in cooperative development such as farmers' sugar cooperatives or dairy cooperatives are to be traced to eminent cooperative leaders. The interaction between cooperative leaders and the leaders in the government made possible rapid cooperative development. Some of the cooperative leaders before India's Independence came to occupy positions of power in the government after Independence and were thus able to influence the policies of the government in favour of cooperatives. The cooperative policies of government generally followed the recommendations of various committees appointed by the government with which cooperative leaders were actively associated. Some of the important committees were headed by eminent cooperators. The Cooperative Movement was also fortunate in that the first Prime Minister and the main architect of modern India, Pt. Jawaharlal Nehru, who, although not an active cooperator himself, was an ardent advocate of cooperatives. He spoke of convulsing India with the Cooperative Movement.

5.2 Finally, a major factor, that contributed to the development of cooperatives, is the government support-policy, financial, organisational, legislative, training and administrative. Certain socio-economic considerations aimed at the well-being of the people and the interest of the national economy, underline the broad spectrum support or government to cooperatives. The twin objectives of planning in India is to increase production and income, and reduce disparities. Agriculture is basic to Indian economy, small farmers account for over 70% of operational land holding and nearly 40% of the rural population is below the poverty line. Cooperatives offer protection and hope to the small man, they afford him access to modern inputs for increasing production and income; they provide facilities for adding value to the farmers produce through processing and marketing. Cooperatives also provide an opportunity to the people to actively

participate in the development process through their cooperatives and to gain experience in the management of their own cooperative institutions, which helps catalyse further developments and generate local leadership. Further, the cooperatives help the government to implement its policies and programmes to benefit farmers or the common man, such as price support for agricultural produce or distribution of scarce essential consumer goods. It is for these reasons that the government created a favourable environment for the growth of cooperatives.

5.3 Rural Credit Survey Committee (1954)

5.3.1 The Central Bank of the country, the Reserve Bank of India, has also made invaluable contribution to foster the growth of cooperatives. The Rural Credit Survey Committee appointed by the Reserve Bank made unusually imaginative recommendations in 1954 laying foundation for planned development of cooperatives in the rural sector. The Committee which reviewed the progress of agricultural cooperatives concluded: "Cooperation has failed but Cooperation must succeed." It emphasised the need for creation of new conditions in which cooperatives could operate effectively and for the benefit of the vulnerable sections. The forces of transformation, according to the Committee, could be generated not by cooperatives alone, but by cooperatives in conjunction with the State. The attitude of the government till then, the Committee remarked, was to over-administer and under-finance cooperatives. The integrated scheme of cooperative development suggested by the Committee rested on three basic principles: (a) state partnership in cooperatives at different levels; (b) integration of credit with other economic activities, and (c) administration by cooperatives through adequately trained staff responsive to the needs of the rural people. It was the report of this Committee that led to the establishment of the statutory organisation called the National Cooperative Development Corporation, exclusively devoted to the promotion and financing of rural economic activities by cooperatives and also for the creation of national funds in the Central Bank of the country for massive support to the financing of agriculture by cooperatives. The acceptance and implementation of the recommendations of the Committee by the government is a major landmark in the development of the Cooperative Movement. The policy of state partnership in the management occasioned distortion of the democratic principle of cooperatives as also inroads by the State

into the autonomy of cooperatives, which are dealt with later under 'cooperative legislation'.

6. GOVERNMENT AND COOPERATIVES

(i) Policy Support

6.1 Government's policy of promotion of and positive preference and encouragement to cooperatives paved the way for the rapid development of cooperatives since 1950s. The Plan Documents, Policy Statements and Resolutions of the government from time to time, reflect government's approach to cooperatives. A Directive Principle of the Constitution of India states that "the State shall endeavour to promote cottage industries on individual or cooperative basis in rural areas" The Industrial Policy Resolution (1956) of the Government of India emphasised that "the principle of Cooperation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along cooperative lines". The National Development Council, the highest policy making body on economic issues comprising, among others, the Prime Minister of India and the Chief Ministers of States, passed a comprehensive Cooperative Policy Resolution in 1958, saying "the National Development Council believes that through the development of cooperatives based on the values of freedom and community responsibility and organised as a national movement, the creative energies of the people will be released for the tasks of national reconstruction" The Third Five-Year Plan succinctly defined the role of cooperatives: "In a planned economy pledged to the value of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture...a rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital force for social stability, for expansion of employment opportunities and for rapid economic development" Cooperative Societies Act enacted in a State lays down: "it shall be the duty of the Government to encourage and promote the Cooperative Movement in the State and take such steps in this direction as may be necessary". The Finance Minister of India, in his budget speech on 29th February 1988, declared: "Cooperatives are the best instruments for reaching our farmers, they are also a symbol of self-reliance at the village level. I

believe that we must now devote special attention to revitalising the entire cooperative structure”.

(ii) Financial Support

6.2 Large public funds are committed to supporting the Cooperative Movement in its various activities. Government's assistance to cooperatives is given in the shape of share capital contribution, loans and also, to a small extent, grants towards capital as well as revenue expenditure. The Plan outlay on Cooperation in the First Five-Year Plan (1951-56) was Rs. 70 million against which the expenditure was Rs. 50 million. In the Sixth Plan (1980-85), the total outlay was Rs. 9.14 billion and the actual expenditure is estimated at Rs. 15 billion.

6.3 The government have also been making arrangements with the public financing institutions such as the Industrial Finance Corporation of India, the Industrial Development Bank of India, etc. to finance the investment capital needed by cooperatives, mainly for agro-processing. The assistance given by these institutions to farmers' sugar cooperatives and cooperative spinning mills alone is of the order of Rs. 75 billion. These items also carry the guarantee of the government.

(iii) National Level Federations

6.4 Federalism is a distinct feature of the cooperative structure, enabling a farmer-member of a village cooperative, access to modern technology and world markets through the cooperative federations. There were State level federations for many types of cooperatives. The late 50s and 60s saw the emergence of a number of national level cooperative federations for various sectors of activities—credit, marketing, consumers etc. The government actively encouraged the formation of these national federations. The National Cooperative Union of India, which is the apex organisation of the Indian Cooperative Movement and its spokesman had its origin as early as in 1929.

(iv) Other National Level Organisations

6.5 The three-fold strategy at the national level for stimulating cooperative development is: (a) organisation of national level

cooperative federations for various activities to which a reference has been made: (b) establishment of public sector (government) institutions to provide support to cooperatives; and (c) establishment of funds at the national level for promoting and accelerating cooperative activities.

Reserve Bank and NABARD

6.6 The Central Bank of the Country, viz, the Reserve Bank of India was till recently responsible for overall development policy, planning and financial support to rural credit. A reference to the Rural Credit Survey Committee appointed by the Reserve Bank of India has been made earlier. Besides providing the rediscounting facilities to the cooperative banks, the Reserve Bank has also established certain funds out of its profits for supporting cooperative credit institutions. The amount of such funds created is now over Rs. 30 billion. Since 1982 these functions have been taken over by the National Bank for Agriculture and Rural Development (NABARD) set up under an Act of Parliament.

National Cooperative Development Corporation (NCDC)

6.7 NCDC's incorporation by an Act of Parliament in 1963 for planning, promoting and financing certain rural economic activities "on cooperative principles" has set a historic precedent in the cooperative world. A Statutory Corporation for supporting cooperatives alone, is a unique concept. Its constitution provides a meeting ground and serves as an effective forum for the cooperative leadership and representative of the government. It is a focal point for the planning, initiation, coordination, developing and financing of a nationwide cooperative programme of processing, storage and marketing of agricultural and other produce and for supply of agricultural inputs. The total financial assistance extended by this Corporation to cooperatives is of the order of Rs. 12 billion.

National Dairy Development Board (NDDB)

6.8 The twin organisations of National Dairy Development Board and the Indian Dairy Corporation, sponsored by the government have spearheaded the expansion of dairy cooperatives in the

country to which a reference has already been made earlier. These two have now been combined into a single statutory organisation called the National Dairy Development Board. This Board is also taking up programmes for the development of oilseed processing and marketing.

Other Public Sector Organisations

6.9 Besides the above three government institutions, there are other public sector institutions such as the Food Corporation of India, the Cotton Corporation of India, and the Jute Corporation of India. These government corporations are meant for providing market support to farmers for their produce. The cooperatives help these corporations in processing agricultural produce direct from the farmers. Nearly 25% of the wheat procured by the Food Corporation is through cooperatives; similarly, more than a third of the jute procured by the Jute Corporation is through cooperatives.

7. LEGISLATION

7.1 Under the Indian Constitution, 'cooperative societies' is a subject allotted to the federating State. Every State has enacted cooperative legislation to govern the incorporation, regulation and winding up of cooperative societies. There are, however, the national and regional cooperative federations and some other cooperatives whose membership covers more than one State. Such multi-state societies come under the purview of the Central Act called the Multi-State Cooperative Societies Act, passed by the Central Parliament.

Objectives of Cooperative Legislation-Evolution

7.2 The objectives of the first cooperative legislation, the Cooperative Credit Societies Act, 1904, enacted by the then British Government were described as follows:

“The Companies Act...and its elaborate provisions...are wholly unsuited to societies of the kind (cooperatives) which we desire to encourage. The first thing to be done, therefore, was to take such societies out of the operations of the

general law on the subject, and to substitute provision specially adapted to their contribution and objects.

In the second place, it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operations. And thirdly, since they were to enjoy exemption from the general law and facilities of a very special nature, it was very necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them”.

7.3 As the 1904 Act confined itself to credit societies, and had no provision for federal societies, it was replaced by Cooperative Societies Act, 1912, which set the pattern for future cooperative legislation in various States. Margaret Digby called the 1912 Act the classical British-Indian pattern.

7.4 A Committee on Cooperative Law appointed by the Government of India in 1956, suggested a model cooperative societies bill which could be adopted by various States incorporating provisions for State aid, State partnership, and State participation in the management of cooperatives in pursuance of the recommendations of the Rural Credit Survey Committee. The State Cooperative Societies Acts were amended in the light of the recommendations of the Cooperative Law Committee in 1960s.

7.5 The next phase in cooperative legislation was in 1968, following the deliberations and suggestions of the Chief Ministers and Ministers for Cooperation of various States. In the context of rapid expansion of cooperative activities, the Conference considered that vested interests should be prevented from capturing cooperatives and intercepting the flow of benefits to the more needy sections. Cooperatives, the Conference felt, should not become exclusive clubs of a few and that their benefits should flow to all who could make use of their services. The Conference, therefore, recommended certain important legislative measures such as (a) denial of entry into cooperatives to money-lenders and others whose business is the same as of the cooperatives and who could sabotage the activities of cooperatives from within; (b) open membership through legal provisions for appeal against refusal of membership by a society; (c)

restriction on a member holding office for long periods continuously in the same society and also simultaneously in a number of societies; (d) regular election by an independent authority; and (e) provision earmarking seats on the board of management of cooperatives to the vulnerable sections.

7.6 The Cooperative Societies Acts in various States were amended in 1970s in the light of the recommendations of the Chief Ministers' Conference. The amendments carried out, however, went beyond the scope of the recommendations of the Conference. Provisions, came to be incorporated in some of the Acts giving power to the government nominees to veto the resolutions of the boards of management of societies, powers to the Government/ Registrar to give directives to the societies, appoint Chairmen and Managing Directors of societies as also to approve the terms and conditions of the service of the cooperative personnel. "These provisions have led to progressive erosion of the autonomy of cooperatives, an essential concomitant to their cooperative character."⁵

7.7 Cooperative leaders protested against the growing tendency of legislative support to government to invade the autonomy of cooperatives. The then Prime Minister of India, in her address to the cooperative congress, in 1976, referred to this strident complaint of cooperators and promised to look into them. Consequently the Government of India issued guidelines to State Governments advising that the provisions militating against the democratic character of the Movement should be modified. Despite these guidelines, many State Cooperative Societies Acts continue to have provisions such as power to government nominees to veto Board resolutions, power to government to nominate chairman, and managing director even in fully elected cooperatives, withhold elections and appoint administrators/persons-in-charge in cooperatives.

Committee on Cooperative Law (1987)

7.8 The Government of India appointed a Committee on Cooperative Law for Democratisation and Professionalisation of Management of Cooperatives. The report of this Committee submitted in 1987 suggested deletion of certain provisions which, it

5. Report of the Committee on Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives.

considered, militated against the democratic character and autonomy of cooperatives. The provisions recommended for deletion includes: (a) compulsory amendment of bye-laws of a society by the Registrar of cooperative societies; (b) power of veto to government nominees; (c) power to annul or rescind the resolutions of the board by the Registrar/government; (d) indiscriminate supersession of cooperatives; (e) restrictions imposed on holding office by the same person for a long time in a cooperative or simultaneously in a number of cooperatives.

7.9 Regarding State partnership, the Committee observed that when State partnership in cooperatives was accepted at the first Cooperative Congress held in 1955, the guiding principle was that government nominees should not exceed 3 or 1/3rd of the total number of members on the board of a cooperative, wherever government has contributed to their share capital. The Committee recommended that this understanding between the government and the Cooperative Movement should be honoured and provisions in the Cooperative Societies Act should conform to this principle. The rationale of government nominees being present on the board, according to the Committee, is that they would provide necessary guidance and counsel to cooperatives, besides taking care of government's financial interests in the society. In actual practice, the government nomination had led to certain "undesirable developments such as induction of political workers on the Boards of Cooperatives....The Committee, therefore, recommended that government nominees should be government officers well versed with the particular sector of activity, or other professionals, and that government should, under no circumstances, nominate cooperative or political leaders as their nominees. The government nominees, the Committee added, should not also seek election to any office in the cooperative or vote in the elections and nominated directors should have the same accountability as elected directors.

7.10 Regarding politicisation of cooperatives, the Committee was of the view that cooperative democracy is homogenous in character in the sense that it is based on common economic interests, which is entirely different from political democracy. Elections to cooperatives should not, therefore, be fought with reference to political affiliations. The Committee suggested that members of local bodies, legislative assemblies and Parliament should not be allowed to hold offices in cooperatives.

7.11 Cooperative Legislation in India since 1960s, it is observed, sought to incorporate State's policies and approach to cooperatives. This process, while affirming State's partnership and participation in cooperatives as preferred institutions, also tended to erode the autonomy of cooperatives. The Report of the Committee on Cooperative Law (1987) seeks, in a large measure, to restore the balance between the autonomy of cooperatives and State's wide range of influence over them.

8. COOPERATIVE PRINCIPLES AND COOPERATIVE LEGISLATION

8.1 It has been aptly remarked that "Cooperative Movements are not created by legislation. Nevertheless without an appropriate legislative framework, a Cooperative Movement in the form of a growing economic organism is not possible or even conceivable." While a special legislation is envisaged for cooperatives, it is appropriate that the distinct features of a cooperative should be spelt out in the cooperative legislation which will govern them. These special features are 'cooperative principles', which have been enunciated by the International Cooperative Alliance on the basis of the recommendations of the Commission on Cooperative Principles (1966). These principles are: (a) voluntary membership in a cooperative for those who can make use of its services and are willing to accept the responsibilities of membership; (b) democratic management, that is, persons administering the society should be accountable to the members who shall have equal/equitable right of voting in the affairs of the society; (c) limited return on share capital; (d) surplus or savings to be distributed in such a manner as would avoid one member gaining at the expense of others; (e) provision for education of members, officers and employees and general public in the principles of cooperation; and (f) cooperation among cooperatives.

8.2 Most of the Cooperative Societies Acts in India do not define 'Cooperative Principles'. One exception is the Multi-State Cooperative Societies Act, 1984, which specifies cooperative principles on the lines enunciated by ICA. The other Cooperative Societies Acts in the country do incorporate cooperative principles under different provisions in their Acts except the principle of cooperation among cooperatives which was added to the list of cooperative principles only in 1966. Cooperative principles are, thus, by and large incorporated in the various Cooperative Societies Acts in

the country. The Committee on Cooperative Law (1987) has recommended that it would be appropriate to specifically define cooperative principles in the Act itself on the model of the Multi-State Cooperative Societies Act.

9. ADMINISTRATIVE AND TRAINING SUPPORT BY GOVERNMENT

9.1 Every State has a Cooperation Department headed by a Registrar of Cooperative Societies and hierarchy of officers. Registrar has both developmental and regulatory functions. The regulatory functions are in pursuance of administration of Cooperative Societies Act in which the Registrar has a central place. The duties and powers of the Registrar under the Act include: to register a cooperative society; inspecting of and enquiry into the affairs of a society; audit of cooperatives; settlement of disputes in a society and between societies, supersession of management of societies; execution of awards; and winding up and cancellation of societies. The developmental functions of Registrar's organisation relate to constructive supervision over cooperatives, planning and promotion of new cooperative activities, helping cooperatives in raising resources, and generally providing guidance to cooperatives. The services of officers of the Cooperation Department are also availed of by cooperatives to function as their executives.

9.2 Training of cooperative personnel is an area in which government provides much support to the Cooperative Movement. A national network of training facilities has been evolved and established. There is a National Council for Cooperative Training which is located in the National Cooperative Union of India. The institutional arrangements for cooperative training consists of a National Institute of Cooperative Management for senior personnel of cooperatives and government, 17 cooperative training colleges for intermediate personnel and nearly 90 cooperative training centres for junior level personnel. The National Cooperative Union of India provides technical support to the programme of member education undertaken by the State Cooperative Unions. Besides, the apex cooperative institution and parastatal organisations also provide specialised training facilities suited to the requirements of the specific cooperative activities.

10. GOVERNMENT'S ROLE—PERSPECTIVE

10.1 The Cooperative Movement in India has emerged as the

largest in the world in terms of members and membership—300,000 societies and a membership of 150 million. The expansion and diversification of cooperative activities witnessed in recent years, is striking. The support that cooperatives have provided to Indian agriculture that has trebled its grain production in three decades illustrates that it is the progressive cooperatives that could service a progressive agriculture. Cooperatives have entered the sphere of sophisticated modern industry successfully.

10.2 The rapid strides made by cooperatives in India was only after India gained freedom when the National Government, as a deliberate policy, created the requisite environment for the growth of cooperatives in the interest of the people. Government's broad-spectrum support consists of preferential framework for cooperatives, financial, legislative, administrative and training support, and also support through parastatal organisations.

10.3 That all movements depend for their progress on leadership is true of the Cooperative Movement also. A host of names come to mind while tracing the history of Cooperative Movement in the country. Some of these names are identified with specific programmes, which grew to brighten the very image of the Cooperative Movement. Pandit Nehru, a perceptive observer, once remarked: "where non-governmental people have taken the lead, and devoted themselves to it, the movement has flourished and grown. Where it has been a nursing by government it had not grown". The Indian experience illustrates that a healthy interaction between the cooperative and the political leadership, each influencing the other, generates a salubrious climate for cooperatives to develop. Creation of a forum where cooperative and political leadership could discuss and convince each other, could be useful for evolving sound policies and healthy procedures and practices in cooperatives.

10.4 Cooperative legislation has raised much controversy. The targets are the provisions which seek to circumscribe the autonomy of the cooperatives and the wider-ranging powers of the Registrar. (A rabid critic called the Cooperative Act as the Cooperative Penal Code). With the progressive legislative inroads into the autonomy of the cooperatives since 1960s, the earlier strident protests against the powers of the Registrar seem to have receded to the background. The burgeoning size and

complexity of Cooperative Societies Acts and Rules also belie the original intention of simplicity of cooperative legislation. Acceptance of recommendations of the Cooperative Law Committee (1987) referred to earlier, would help in restoring, in some measure, the autonomy of cooperatives. Even so, a basic question that arises is: should cooperative legislation be used to reflect the State's policy on cooperatives and also State's appreciation of the social objectives and management of cooperatives? A Committee of the Government of India on the Multi-State Cooperative Societies Acts raised the question "the point for consideration before us is: should these various aspects which relate to the realm of State policy on cooperation be incorporated in the Multi-State Cooperative Societies' legislation?" The Committee, however, was reticent on this issue. The experience of cooperative legislation and its administration in recent years calls for a fresh thinking on and approach to cooperative legislation. One is reminded in this context of the approach outlined when the first cooperative legislation was introduced in India as early as 1904:

"Certain broad principles must be laid down and certain precautions must be insisted upon; but within these principles and subject to those precautions, the people must, in the main be left to work out their own salvation on their own lines, the function of government being confined to hearty sympathy, assistance and advice".

10.5 The concentration of the powers in the Registrar under the Cooperative Societies Act has been a recurring theme of complaint of the cooperators. An eminent cooperator remarked: The Cooperative Societies Acts are all drawn up with the Registrar as the centre of the picture and not the society. If our Cooperative Acts are framed on the basis that Cooperation is a Movement of the people and not merely a department of administration, they will help to promote the initiation of those for whose benefit the movement is intended". Self-regulation is implicit in the concept of autonomous and self-reliant Cooperative Movement. Without self-regulation generated by internal discipline, any attempt to enforce discipline on a wide-range of matters, could only tend to become active and personal interference in cooperatives, destroying the initiative and self-confidence of cooperatives. To what extent federal cooperatives could relieve the Registrar of his regulatory function and in what form, also need serious

consideration for activating the self-regulatory mechanism of the Cooperative Movement.

10.6 Pt. Nehru remarked: "But the future of India, especially of rural India, is going to be very largely influenced, as it is being influenced, by this Movement. Now, I want Cooperative Movement to become bigger and bigger...". The Cooperative Movement and the government, acting in harmony, one hopes, will endeavour to fulfil this prophecy and dream.

ANNEXURE-I

COOPERATIVE MOVEMENT IN INDIA — TRENDS

Sl. No. Particulars	1950-51	60-61	70-71	80-81	85-86	86-87
I. All-COOPS-OVERALL VIEW:						
i. NO. of societies (1000s)	180.00	332.00	320.00	299.00	315.00	
ii. Membership (million)	13.70	35.20	64.40	106.20	141.05	
iii. Working capital (billion)	2.76	13.12	68.09	208.80	377.69	
II. PRIMARY AGRIL CREDIT SOCIETIES:						
i. No. of societies (000)	105.00	212.00	160.00	95.00	92.00	
ii. Membership (million)	4.40	17.00	42.90	57.50	69.18	
iii. % of rural population covered (estimated)	7.00	24.90	36.10	55.90	67.25	
III. AGRICULTURAL CREDIT (Rs.in billion):						
i. Short & Medium term loan advanced	0.22	2.02	5.78	17.63	26.67	
ii. Long-term loans advanced	0.01	0.12	1.68	3.63	5.39	
IV. MARKETING OF AGRIL PRODUCE:						
i. Agricultural Produce marketed by Coops (in billion)	0.47	1.69	6.48	19.50	30.32	41.93
V. COOP SUGAR FACTORIES:						
i. No. of Factories in production	2	30	73	149	186	194
ii. Sugar produced (000 tonnes)	5	450	1262	2903	4113	4754
iii. Percentage to National production	0.5	14.9	33.8	56.4	58.6	56

Sl.No.	Particulars	1950-51	60-61	70-71	80-81	85-86	86-87
VI. COOPERATIVE STORES:							
i.	No. of godowns	na	5000	17930	29947	49620	52526
ii.	Storage capacity owned (million tonnes)	na	0.8	3.0	5.1	8.56	9.40
VII. PERCENTAGE SHARE OF COOPS TO TOTAL NATIONAL FIGURES:							
i.	Total institutional credit					54.00	50.00
ii.	Of fertilisers distributed					20.00	35.00
iii.	Of national production of sugar as on 31.3					58.60	56.00
iv.	Procured by coops for parastatal institutions					24.92	23.80
	a. wheat					39.80	19.00
	b. cotton					37.00	37.00
	c. jute						

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN INDONESIA

WAHYU SUKOTJO*

1. INTRODUCTION

1.1 First of all, I would like to express my appreciation to the International Cooperative Alliance Regional Office for Asia, New Delhi for including the subject of the "Role of Government in Promoting Cooperative Development in Asia" in their main working programme. Secondly, I am most happy at this opportunity of interacting with fellow participants of our conference who, I know, are occupying important and leading positions in the Cooperative Movements and the governments in their respective countries.

1.2 However, since the basic motivating force behind the cooperative organisation is the principle of self-help one is tempted to question the relevance of discussing a subject like the government's role in promoting Cooperative Movement in a meeting of cooperators like the present ICA sponsored conference.

1.3 This, probably, indicates that the subject of the government's role vis-a-vis the Cooperative Movement is not without controversies. Admittedly, the subject is a complex one. Therefore, I would say, it is not the prime intention of our meeting now to find straightforward answers to questions in defining government's proper role in assisting cooperatives.

1.4 It would, probably, suffice if we review the current situation and exchange the different national experiences in the "Role of Government in Promoting Cooperative Development".

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1.5 I firmly believe that the conclusions in this meeting will be accepted by our respective governments as an invaluable feedback and may lead towards an even more constructive Role of Government in Promoting Cooperative Development either separately or jointly for the various regions of Asia.

2. THE ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE MOVEMENT IN INDONESIA

2.1 A typical assessment of the Cooperative Movement in our region is phrased by some scholars as follows:

“In the developing countries of Asia, the Cooperative Movement was introduced by the Government”.¹

“... in practically all of Asia, cooperatives were organised mainly through government initiative and effort...”.²

2.1.1 Contrary to the widely accepted view, this paper contends that:

- (1) In Indonesia the Cooperative Movement was pioneered through the initiative of the people, prior to government's effort and support;
- (2) In fact, in the pre-World War-II period, there was actual resentment on the part of the colonial government to support or even to recognise the Cooperative Movement which then was affiliated with the Indonesian nationalist movement; and
- (3) When Indonesia gained its Independence in 1945, the cooperative was explicitly stated in the Constitution as the suitable form of enterprise (within the system of economic democracy as stipulated by article 33 of the Constitution).

2.2 In Indonesia, therefore, developing the cooperatives and promoting the Cooperative Movement is the constitutional will

1. J.M. Rana, “Role of Government in Promoting Cooperative Movement in Asia”, UN Seminar Paper, Moscow, 18th May 1967.
2. Julio Macaranas, “Cooperative in the Philippine Setting”, UP Press, Quezon City, 1963.

of the people. As such it is also the will of the Cooperative Movement. The Role of the Government is to comply with the orders of the Constitution.

3. THE EARLY STAGE OF THE COOPERATIVE MOVEMENT IN INDONESIA

3.1 While Indonesia has a variety of indigenous traditional forms of mutual aid and self-help cooperation, cooperators of Indonesia are fond of viewing the year of 1896 as the dawn of the modern Cooperative Movement in Indonesia. In that year the first modern form of cooperation, a mutual saving and loan bank, was founded and has been recorded as the pioneering work of Mr. Wiria Atmadja and his fellow civil servants of the Central Javanese town of Purwokerto.

3.2 The inspiring initiative of Wiria Atmadja prompted the support of Mr. de Wolf van Westerde, Regional Head of the then Colonial Government. He even extended the activities of the bank to the rural areas in the form of Village Rice Barn Cooperatives. With the Government's assistance these village cooperatives spread out rapidly throughout the countryside of the major part of Java.

3.3 The Mutual Saving and Loan Bank and the subsequent village rice barn cooperatives of Purwokerto, eventually, grew out to become the State-Owned Indonesia, People's Bank of today. So, history tells us that at the pioneering stage of development of the cooperatives in Indonesia the Government played a crucial role in promoting the cooperatives of rural Indonesia. But, at the same time, historical evidence clearly reveals that in developing cooperatives people's initiative goes prior to government support.

4. THE NATIONAL MOVEMENT AND THE COOPERATIVES IN INDONESIA

4.1 Before World War-II, the rise of the urban-based cooperatives of towns-people and small traders, was an undeniable reflection of the emancipation spirit and urge for freedom of the emerging Indonesian middle-class.

4.2 In their struggle to secure a higher position on the economic

ladder of the society, the Indonesian middle-class traders chose Cooperation as their weapon for advancement.

4.3 This brought the urban cooperatives of Indonesia in close contact and affiliation with the pre-war independent Movement of the Indonesian nationalists.

4.4 Under those circumstances, little or no support could be expected from the then colonial Government to this kind of cooperatives.

4.5 Thus, upto World War-II, we observed that the Role of Government in promoting the Cooperative Movement was especially dominant in the rural area.

5. THE INDONESIAN CONSTITUTION OF 1945 AND THE COOPERATIVES

5.1 The Constitution of the Republic of Indonesia is usually referred to as "the 1945 Constitution" Partly, this is due to the fact that the Constitution was drafted and adopted in 1945 when the Republic was established, but also because it bears the spirit and the vitality of the Indonesian struggle for Independence as well as of the era and sphere in which the Constitution was shaped which was substantially inspired by Indonesia's spirit of unity, common goal and democracy built upon Indonesia's age-old social concept of "gotong royong" (mutual assistance), deliberations among representatives ("musyawarah") and consensus ("mufakat").

5.2 Thanks to this deep-seated belief in *gotong royong* together with the foresightedness of the Founding Fathers of the Republic, the cooperative has been explicitly stated in the Constitution and has become an unseparable part of the state's document.

Article 33 of the 1945 Constitution stipulates that: "The economy shall be organised as a common endeavour based upon the democratic principles of family hood". It is further stated that: "This article deals with the foundation of economic democracy", "That priority should be given to the well-being of the community and not just that of the individual". "The form of enterprise which is suitable (within this economic democracy) is the *cooperatives*".

5.3 One way to better understand the Role of Government in promoting the Cooperative Movement, against the background of the 1945 Constitution, is by quoting a few lines from the 1954 speech of the late Vice-President of the Republic of Indonesia and "Ideological Father" of the Indonesian Cooperative Movement, Dr. Mohamad Hatta, as follows:

"...organising our national economy on a Cooperative basis is our first and foremost task".

5.4 And more recently, President Suharto of Indonesia in his State Address on 17th August 1981 stressed the following:

"It is obvious, that all of us, especially the Government are fully committed to and responsible for carrying out the development of the economic system as stipulated in article 33 of the 1945 Constitution. We should bear in our mind that article 33 is contained in a chapter entitled "Social Welfare". This means that the economic activities of the state and public, as well as economic development in general must be aimed at advancing the social well-being of the whole Indonesian people.

The economic system that we aspire at must be a system in conformity with the implementation of article 33 of the Constitution.

Since we are determined to materialise the economic system laid down in article 33 of the Constitution, we are therefore *all called upon to promote cooperatives*. In the long run, the cooperatives must become the main pillar and backbone of our national economy".

5.5 Thus, under the 1945 Constitution, the Role of Government in promoting Cooperatives is near to imperative.

6. THE EXPERIENCE DURING THE PERIOD OF 1945–1965

6.1 To Indonesia the two decades of 1945 to 1965 was an extremely critical phase of development, and for the Indonesian cooperatives, as part of the society, it was no exception. Space, however, does not allow us to go into further details of the period.

6.2 For the moment, it may suffice to note that despite the difficult times of war and revolution, of frequent political instabilities, occasional social hardships and economic uncertainties the Indonesian cooperatives managed well to progress constantly from stage to stage, as is evident from the figures in table 1 below:

TABLE 1
NUMBER OF VIABLE COOPERATIVES, INDONESIA, 1927-1987

	1927	1937	1947	1957	1967	1977	1987
No. of coops.	1*	410	1,314	1,859	12,879	19,430	30,446

*Formally registered.

6.3 Active government's role in promoting the Cooperative Movement, the people's deep-seated conviction of the importance and necessity of cooperation and the enterprising efforts of the cooperative members themselves combined had helped the Indonesian cooperatives find their way to their present stage of development.

6.4 In this period, government's role was felt evenly by the various types of cooperatives. No pronounced difference between the development of the rural and urban cooperatives was visible. Initiative and creativity of the Movement and the individual members of the cooperatives were strongly encouraged during the first decade of 1945-1955, while the period in between 1955-1965 was marked by state planned development of the cooperatives.

7. THE PERIOD OF 1969-1973 and 1974-1979

7.1 When President Suharto of Indonesia, for the first time, took office in 1966, the Indonesian economy was at a low point. Inflation was rampant and economic growth was practically at a stationary position. The first and foremost task, therefore, was reversing the course of the declining economy by instantly putting brake on inflation and igniting economic growth. So, as early as 1967, the government resolutely embarked into massive economic development.

7.2 Pursuant to the 1945 Constitution, Indonesia is of the view that developing the cooperatives is an essential and unseparable

part of economic development. Consequently, the role of the government in developing the cooperatives becomes most important. The government, at the least, should create a conducive socio-political climate for the cooperatives.

7.3 To this end, the Government of Indonesia, prior to the First Five-Year Development Plan of 1969-1973, issued the Basic Law number 12 of the year 1967 on Cooperatives.

In this Cooperative Law the position and the role of government in developing the cooperatives is clearly stated as being persuasive in nature. This is in line with the philosophy and motto of the Indonesian hero and great educator Ki Hadjar Dewantoro, as adopted in the law, that says: "Ing ngarso sung tolo; Ing madyo mbangun Karso; Tut wuri handayani". Or freely translated: "In front, the government has to set good example to the cooperatives; In the middle, amidst the Cooperative Movement, the Government has to actively motivate the cooperatives for greater achievements; But once the cooperatives got on the move, the government should stay behind".

8. THE PERIOD OF 1969-1973 : THE FIRST FIVE-YEAR DEVELOPMENT PLAN

8.1 Since the late 1960s the Indonesian economy has been run through a series of Five-Year Development Plans.

8.2 In the period of 1969-1973 of the First Five-Year Development Plan, the role of government in developing the cooperatives may be briefly outlined as follows. First, as stated earlier, the government has the task of creating a favourable socio-political climate for the cooperatives. This was done by issuing the right rules and regulations. Most importantly, the Basic Law number 12 of 1967 on Cooperatives. Secondly, since cooperative development cannot do without good cooperative management, the government set up a chain of Cooperative Training Centres throughout the country. Thirdly, in the difficult early years of the First Five-Year Development Plan, the cooperative societies were lacking both capital as well as the necessary collaterals for obtaining bank loans. To this delicate situation the government responded swiftly by creating a cooperative credit guarantee institution. Through this institution the cooperatives, now, had access to the bank. Fourthly, beside creating a favourable climate for the cooperatives,

it is also the role and task of the government to provide business opportunities to the cooperatives. To give to the cooperatives the fullest opportunity to enter into the economic sector which enjoyed the highest priority in the Five-Year Development Plan, namely, the agricultural sector, the government supported the development of the agricultural cooperatives in the rural areas of the country.

9. THE PERIOD OF 1979–1983 : THE THIRD FIVE-YEAR DEVELOPMENT PLAN

9.1 The Policy in the Third Five-Year Development Plan read, as follows:

1. Within the framework of materialising economic democracy more clearly, the cooperatives have been given more room and a larger role in the development programmes in various sectors of the economy.
2. The development of the cooperatives is directed towards the improvement of:
 - (a) The ability of village cooperatives and other primary cooperatives to take initiatives and to rely on their own strength and resources;
 - (b) The ability of the cooperatives to serve the need of their members;
 - (c) The role of cooperatives in various sectors of the economy such as trade, agriculture, industry, rural electrification, credit and banking, etc;
 - (d) The ability of the cooperatives to integrate with other cooperative societies as well as to cooperate with non-cooperative enterprises.

9.2 In 1978 the government issued the Presidential Instruction No. 2 of the year 1978 on Village Unit Cooperatives. This Village Unit Cooperative was developed, on experimental basis, in 1968-1970. Then, in accordance with the Presidential Instruction No. 4/1973 the Village Unit Cooperatives constituted the cooperatives supporting the government's rice production intensification

programme. This was subsequently altered by the Presidential Instruction No. 2/1978 which emphasised that the Village Unit Cooperatives, as rural cooperatives, would become the centre of economic services in the village covering almost all the economic activities in the region.

9.3 Beside the Presidential Instruction No. 2/1978, another important step taken by the government in the 1979-1983 period was the installation of the Junior Minister of Cooperatives, a newly created institution in the government.

9.4 It has been generally recognised, since, that the new institution of Junior Minister of Cooperatives has brought about a remarkable progress in the cooperative development in the Third Five-Year Development Plan period, as shown in the following figures:

TABLE 2
GROWTH OF COOPERATIVES, INDONESIA, 1978-1983

	1978	1979	1980	1981	1982	1983
Number of coops.	17,074	17,625	19,136	21,184	23,325	25,161
Coop members (× 1000)	7,610	7,620	7,980	10,060	11,140	13,650
Volume of business (Million US\$)	402	562	1,621	1,663	209	2,114

9.5 In the first half of Third Five-Year Development Plan period, the Indonesian economy was extremely good. In 1980 economic growth reached its peak of 9.8 percent of GDP. The favourable condition together with the inspiring role of the government made it possible for the cooperatives to progress at a remarkable speed.

10. THE PERIOD OF 1984-1987

10.1 In 1980, Indonesia had entered the current decade with a comfortable growth rate of 9.8 percent of the GDP. So, growth targets of 7.5% during the Third Five-Year Development Plan period seemed well within reach. But then came the slump in the world oil market of 1981-82. Economic growth slowed down to 7.6 percent in 1981, and was no more than 2.25 percent in 1982. Understandably, a rate of growth of 4.2 percent in 1983 and again of 4.6 percent in 1984 was welcomed with some hope.

10.2 In short, the Fourth Five-Year Development Plan which covers the 1984-1988 period clearly reflects the continuing difficult economic circumstances. Facing this situation, the government had to make tough measures such as currency devaluation, abolish subsidies, deregulate the banking system, applied an austerity budget and so on.

10.3 These harsh measures have their bearing on the cooperative development. While the number of cooperatives and the member of cooperatives have continued to grow from 1983 upto this year (1987), the volume of cooperative business declined sharply from US\$ 2,114 million in 1983 to US\$ 1,490 million in 1984.

10.3.1 The drop in the volume of business of the cooperatives is thought to be due to the decrease in easy loans and subsidies in food and farm inputs.

10.4 Thus, entering the Fourth Five-Year Development Plan, the cooperatives found itself caught in a difficult situation beyond their control. But one should be able to make an asset out of a constraint or a blessing out of difficulties.

10.5 So the cutbacks in easy loans and subsidies compelled the cooperatives to resort to its own strength and resources. With the help of the government, the cooperatives decided to mobilise their own financial resources through a strong and sound cooperative bank, by building up the National Cooperative Bank.

10.6 The success of National Cooperative Bank of Indonesia was most evident in the way the bank jumped from its low rank of number 67th among the national private banks, barely three years ago, to its present position of number 12 among the private banks in Indonesia.

10.6.1 But more importantly, the success of the National Cooperative Bank seems to be able to restore the increase in the volume of cooperative business.

From the experience of the cooperatives during both the brisk period of the Third Five-Year Development Plan and the sombre years of the Fourth Five Year Development Plan, one cannot deny the importance of the role of government in promoting and developing the cooperatives.

11. SUMMARY AND CONCLUSION

11.1 Historical evidence undeniably shows that the modern Cooperative Movement in Indonesia was pioneered, as early as 1896, by the people themselves. This means that government's role in supporting cooperative development had come after the people's own initiative. At times the (then) colonial government even resented the emancipation of cooperatives because of their affiliation with the nationalist movement.

11.2 The 1945 Constitution of the Republic of Indonesia decrees, in article 33, that : "The economy shall be organised as a common endeavour based on the democratic principles of family-hood" and that "The form of enterprise suitable to this (economic democracy) is the cooperative".

11.3 The inclusion of the cooperatives in the Constitution has been viewed by cooperators as a reflection of the widely held belief in cooperativism which aspire for a cooperatively organised society. In such a case, the government is thought to play a central role in the cooperative development.

11.4 The two decade of 1945-1965 was an extremely critical period in the history of Indonesia. It was a period filled with war and struggle, the shaping of the political structure and with economic ups and downs.

11.5 In the first decade of 1945-1955, creativity and initiative of the Cooperative Movement and the active participation of the individual member was greatly encouraged while the decade in between 1955-1965 was marked by state planned cooperative development. This period may be seen as a phase of trial and error in cooperative development.

11.6 Since the late 1960s the Indonesian economy has been run through a series of Five-Year Development Plans (the so called Repelita). In Repelita I (1969-1973) and Repelita II (1974-1979), the best way in which government could assist in promoting cooperatives was first, by creating a suitable climate for cooperative management and helping the cooperatives to get access to the bank. Finally, by giving to the cooperatives business opportunities in the agricultural sector of the economy.

11.7 The Repelita III of 1979-1983 was an exceptionally good period for the cooperatives. It started, on the one hand with the introduction of the Village Unit Cooperatives, a new concept of rural cooperatives and, on the other, with installation of the new institution of the Junior Minister of Cooperatives.

11.8 Within the short period of Repelita III the cooperatives progressed in an unusually fast pace, in terms of the number of cooperatives, of cooperative members, of the volume of business done by the cooperatives as well as in terms of capital accumulation. In Repelita III, without doubt, the role of the government in promoting the cooperatives was most effective.

11.9 In the year 1984 of Repelita IV (1983-1988) the rapid progress of the cooperatives was abruptly cut by the recession induced slow downs of the national economy. In that year the volume of business of the cooperatives fell down sharply, presumably due to the decline in Government's subsidies in food production, and easy loans. These setbacks and difficulties, evidently, constituted a blessing in disguise, because they forced the Cooperative Movement, in collaboration with the government, to build up a strong and sound National Cooperative Bank as the primary source of finance for the cooperatives.

11.10 Thus, government's role in promoting cooperatives is highly relevant both in times when the economy prosper as well as in periods of economic distress.

11.11 In the long run, the Indonesian Cooperative Movement does strive to establish an economic system pursuant to Article 33 of the 1945 Constitution. In the shorter run, however, the cooperatives take a more realistic and pragmatic view of the problem. In any case, the role of government is in perfect harmony with the aspiration and development efforts of the Indonesian Cooperative Movement.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN INDONESIA

SALESH SYAFRADIJI*

1 RURAL ECONOMY

1.1 Indonesia has an area of approximately 575,450 square kilometers. About 1/14 of the area is Java. Java population is the largest of all provinces in Indonesia, approximately 95 million people in 1980 or about 60 percent of Indonesia's total population. Agriculture dominates the economy in between 60 percent and 80 percent of the labour force classified as farmers in the rural areas. Although agriculture is the biggest sector, its relative rate of growth slackened of during the period 1970 to 1980.

The relative decline of agricultural sector in gross domestic produce:

- by 1970 accounts for 44% from GDP.
- by 1980 decline into 30.7%.

The slow growth of output value within agriculture sector relative to non-agricultural sector can be shown as follows:

- 1971-1981 rate of output growth in agriculture on average 3.8%/year.
- rate of growth at national level aggregate data 8%/year
- rate of growth for industrial sector = 11%/year.

From these three data, it appears that the distribution of national income between agriculture and the other sectors has become imbalance.

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1.2 The general characteristics of land cultivation in the agricultural sector is represented by humid climate and rainfall. Annual rainfall is high in most parts of the country-1500 mm and more (especially Java) and irrigation network is also well developed (i.e. Java, Bali, Lombok and in parts of Sumatra and Sulawesi).

1.3 The precise quantity of water supplied to the fields, the timing of its application, and the provision of drainage facilities are of crucial importance if the rice crop is to be successful. Not only does the terrace itself have to be carefully constructed and maintained but the auxiliary structures regulating the flow of water into and out of the individual plots must be constructed and maintained with a basic minimum of technical skill. These auxiliary structures involve corporate efforts of the farming in making the necessary capital investment, and in maintaining the structures once built.¹

1.4 The technology of wet rice cultivation was obviously acquired by Javanese and Balinese peasants by a process of trial and error over centuries. One crucial consequence of the acquisition of this technology for subsequent economic development in Java was that it allowed the land to absorb increasing inputs of labour over time without losing its innate productive capacity. It has proved impossible to overcultivate *sawah* in the same sense as dry land. As Geertz and others have emphasised, it was the successful adaptation of wet rice cultivation to increasingly labour intensive cultivation methods that permitted the increases in rural population that have occurred in Java over the past century.

1.5 The agricultural development in fact becomes technical, organizing the land to meet the welfare of both rural as well as urban people. For the agricultural cooperative, the change in the technique as well as socio-economic organization has meant greater interdependencies with emphasis on total rural economic development.

2. AGRARIAN STRUCTURE

2.1 On the basis of the area cultivated, Penny (1978) classified farms as small, medium and large. However, the boundaries used for each class can and do differ between writers in the

1. This point is copied from Anne Booth: Irrigation I, Bulletin of Indonesian Economic Studies, Canberra 1979.

field. Indonesian census data and NFS (National Fertiliser Study) used the categories shown in the following table :

TABLE 1
FARM SIZE CATEGORY

Category of farm	Agricultural census (hectare)	NFS (hectare)
Small	0.1 — 49	0.1 — 0.34
Medium	0.5 — 0.99	0.35 — 0.75
Large	more than 1.00	more than 1.75

Source : National Fertiliser Study.

2.2 Using the census criteria for structure in Java, about 50% of farms fell into the small category, about 30 percent into the medium, and the rest into the large farm category.

TABLE 2
DISTRIBUTION (STRUCTURE) OF FARMS ACCORDING TO SIZE OF HOLDINGS

Size of holding	1963		1973	
	Number	%	Number	%
0.0	—	—	489,772	3.4
0.10-0.50	5,331,872	43.6	6,070,986	42.2
0.50-0.75	2,071,064	16.9	2,276,520	15.8
0.75-1.00	1,173,820	9.6	1,277,777	8.9
1.00-2.00	2,222,941	18.2	2,597,636	18.1
2.00-3.00	693,479	5.7	852,757	5.9
3.00-4.00	281,525	2.3	336,345	2.3
4.00-5.00	149,143	1.2	164,381	1.2
5.00-10.00	222,095	1.8	223,604	1.6
10.00-15.00	51,390	0.4	47,229	0.3
15.00	39,141	0.3	36,535	0.3
TOTAL	2,236,470	100.00	4,373,542	100.00

Source: Central Bureau of Statistics, Agricultural Census 1983 and 1974.

2.3 The table indicates the increase of small farmers in absolute amount (i.e. less than 0.5 hectare). The large farmers, on the other hand, although in absolute was increasing for the years 1963-1973, in percentage were declining. This percentage did not change for the other large farmers, except for those above 15 hectare. Such land holding structural changes will affect the optimum use of inputs (i.e. fertiliser, seeds/H.Y.V. etc), output/hectare and marketed rice by the individual farmers.

2.4 Consequences of such increased small land holdings has extended the existence of "subsistence farming" and limited amount of marketable surplus. Furthermore, under limited product marketed by the individual farmers, will reduce their selling power with respect to price, terms of delivery and payments etc. The high dependency of (small) farmers on the big retailer/wholesaler is, then, becoming general characteristic of rural areas, with consequent low prices and productivity of farming output.

3 THE BASIS OF GOVERNMENT ROLE ON COOPERATIVE DEVELOPMENT

3.1 In the article 37, Law Number 12, 1967, on Cooperative Law States that : The government is obliged to give guidance, control, protection and facilities for cooperatives and increase their capacity in order to implement the Basic Constitution 1945, Article 33, including its memorandum.

3.2 In this matter, the government should always be "active" (in promoting the Cooperative Movements) as mentioned in the Sanse proverb, as follows :

Ing ngarso sung tulada
Ing madya mbangun karsa
Tut wuri handayani,"

3.3 This is not a coercive type power but rather has a persuasive stimulating character of influence, having the following essence,

1. *Ing ngarso sung tulada* (= in the frontier give them good performance), meant, as leaders or pioneer the government should serve the people with good performance.

2. *Ing madya mbangun karsa* (= in the midst of people, the official government-leaders should strengthen the spirits-motivating, meant, if the government officials operate in the midst of people, they should not be passive, but they should develop aspiration for the people and promote initiative for actions.
3. *Tut wuri handayani* (for the people (coop. movement) give them more power) meant, although the government are posited behind the Cooperative Movement they (government officials) should increase (coop) power and give guidance which one the right or wrong things.

3.4 These only mean that, in essence, the government provide the freedom in the right way for cooperative to design and decide their own businesses within the framework of ideological foundation, the implementation of (cooperative) guidance and its principles.

3.5 Under exceptional conditions, however, the government at any moment may involve to protect the continuation of cooperative principle and foundation as well as the government policy, either for the interests of cooperatives themselves or the interests of the society. Based on these considerations, and not to reduce the authority of the Minister in formulating his major policies in their future cooperative aspects, then this article has obliged the government to provide the Cooperative Movement :

- (a) Counselling, meant to create favourable climate and general condition, which make possible the cooperatives to grow and develop, among others, through education and extension services.
- (b) Supervision, meant to protect and safeguard the interest either for cooperatives themselves or the interest for the others.
- (c) Facilities which can be provided in the form :
 1. A grant, in terms of money. (subsidy), goods or services.
 2. Privileges, either in the form of priorities or legal power for example.

— tax, privilege in tax allocation for given cooperatives, i.e. agricultural cooperatives.

— the similarity of book-keeping standard for cooperatives and commercial book in the commerce law.

Privileged right on the cooperative harvest which can be used as guarantee for credit application made by agricultural cooperatives and so on.

3. Specific policy on credit including terms of credit which are simple and easy to promote cooperative businesses in the aspects of production and marketing and so on.

4. MACRO PERSPECTIVES ON RURAL COOPERATIVE

4.1 The general characteristics of LDC on poverty problem in rural areas has also relevance to the Indonesian cases, particularly in the densely rural population and remote areas. Although there have been positive growth in the rural income, however, there is also an increase of landless and small farmers, both in absolute and relative amounts. This, in turn, may effect to some or a great extent, the dependent economy of those rural into urban traders (Syafradji, 1986).

4.2 One of the farmers' needs to help operate their farming activities is capital (cash). The need for cash may be related directly to production and marketing of their agricultural products and indirectly for their daily consumption. Among the cash needed, are provided by the external sources, that is, by the rural cooperatives. In this regard, the Cooperative Village Units (abbreviated KUD = Koperasi Unit Desa) have been promoted in Indonesia beginning particularly in the First Five-Year Plan (1969-1973). The KUD which covers the working areas of about some villages provide inputs for farming activities, facilitate processing and marketing and provide credit for both members and the local people. The KUD was not treated simply as a distribution entity at the retail level. The government aimed at achieving other objectives as well. To this end, the government provided not only the necessary funds but also assisted the KUD in the capital required to carry out its responsibilities.

4.3 The following activities indicate the services rendered by KUDS for the members.

TABLE 3**PERCENTAGE OF KUDS SERVICES TO THE MEMBERS ACCORDING TO SERVICES ASPECTS AND ACREAGE LAND CULTIVATION**

Class of land holding	Percentage of farmers household who gain KUD services		
	Inputs	Processing Output	Marketing Products
(1)	(2)	(3)	(4)
0,05	0,54	0,14	0,27
0,05-1,09	1,49	0,53	0,35
1,10-1,14	2,30	0,45	0,49
0,15-1,19	3,07	0,59	0,55
0,20-0,24	4,03	0,72	0,60
0,25-0,49	5,19	0,87	0,95
0,50-0,74	6,34	0,94	1,21
0,75-0,99	7,40	1,13	1,55
1,00-1,24	5,65	0,83	1,48
1,25-1,49	7,28	1,25	2,08
1,50-1,99	6,45	0,98	1,90
2,00-2,99	5,58	0,91	2,20
3,00-3,99	4,76	0,87	2,45
4,00-4,99	4,79	0,91	2,64
5,00-7,49	4,79	0,91	3,42
7,50-9,88	3,23	0,75	2,67
10,00-14,99	3,35	0,90	2,15
15,00 +	2,11	0,42	1,78
Jumlah	5,15	0,84	1,28

Source : Analytical Table Agricultural Sensus 1983, Central Bureau of Statistics.

4.4 The larger portion of inputs distribution in comparison with

processing areal marketing agroproducts in the total services to KUD members, have been contributed by the Bimas program, providing the farmers with credit package (cash, fertiliser, seeds, pesticides and cost of living).

4.5 In addition to the Bimas Credit, the government also provides the KIK, KMKP, that is non-agricultural credit, which is particularly meant for small industries and trades (excluded in this credit system those small farmers).

4.6 In serving the members, the KUDs have also provided credit, to both members and the local people. This is shown in table 4.

4.7 For analytical purpose, it is interesting to note the early beginning of the government promotion, through the credit program. In the implementation of such government support (i.e. credit provision with low rate of interest and easy terms), it is expected these program will become the linkage between members and management of the KUDs. From this point, the KUDs are expected to increase their capital accumulation and business growth. This expectation, however, has been limited due to perception, attitudes among the key members, the managers etc.

4.8 In this regard the government promotion in the future should be more selective to those KUDs who are not only responsive to such promotional program but also having foundation on economic linkages between the members and their management. Thus, the KUD business can be induced faster through the bottom up process by improving the linkage between the group individual farmers and the KUD on one side, and providing opportunities in businesses on the other.

4.9 The above conditions, have also shown, that the declining government program allocated to KUDs (due to among others, the oil price decline, constituting as major government resources), have challenged the KUD management to restructure their businesses from merely relying on government oriented business programs, toward a more balanced business through market operations. In the process moving toward the self-reliance businesses, restructuring the internal management are important for two major aspects:

TABLE 4

THE AMOUNT OF CREDIT BY KUDS FOR THE YEAR 1983 ACCORDING TO EACH PROVINCE BY
KIND OF CREDIT (IN PERCENTAGE)

S. No.	Provinces	Investment Credit	Small investment Credit	Credit from Working Capital	Small Business Credit	Other Credit	Total
1.	D.I. Aceh	2.6	9.8	9.6	2.0	75.4	100
2.	Sumatera Utara	35.6	13.2	6.9	14.5	29.7	100
3.	Sumatera Barat	13.9	8.4	12.9	16.8	48.0	100
4.	Riau	65.2	2.6	2.9	7.5	21.7	100
5.	Jambi	7.4	0.0	11.1	49	32.3	100
6.	Sumatera Selatan	22.1	8.3	18.4	10.8	40.1	100
7.	Bengkulu	2.4	2.1	9.8	57.0	28.5	100
8.	Lampung	6.8	3.8	9.6	9.5	70.1	100
9.	Jawa Barat	32.8	4.7	7.8	11.7	43	100
10.	Jawa Tengah	27	8.7	9.9	16	38.6	100
11.	D.I. Yogyakarta	3.9	6.3	19.4	1.8	68.4	100
12.	Jawa Timur	20.7	9	13.6	14.1	42.6	100
13.	Bali	0.5	6.3	12.	7.1	73.6	100

Table 4 (Contd.)

S. No.	Provinces	Investment Credit	Small investment Credit	Credit from Working Capital	Small Business Credit	Other Credit	Total
14.	Nusa Tenggara Barat	8	2.8	13.3	3.5	72.3	100
15.	Nusa Tenggara Timur	40.8	9.4	13.4	20.1	17.2	100
16.	Timor Timur	14.3	0.0	0.0	2.3	83.3	100
17.	Kalimantan Barat	16.4	1.9	14.9	33	33.6	100
18.	Kalimantan Tengah	17	7.5	15	45.3	19.0	100
19.	Kalimantan Selatan	4	3.9	13.4	6	72.6	100
20.	Kalimantan Timur	0.8	8	2.1	45.3	43.8	100
21.	Sulawesi Utara	34.1	9	5.9	1.2	47.4	100
22.	Sulawesi Tengah	1.7	2	31.2	9.2	55.9	100
23.	Sulawesi Selatan	16.2	13.6	9.8	16.2	44.2	100
24.	Sulawesi Tenggara	2.3	10.9	6.2	8.2	72.4	100
25.	Maluku	56.4	4.1	3.7	12.9	22.9	100
26.	Irian Jaya	27.3	11.7	2.6	10.4	48.0	100
	Indonesia	24.4	7.7	10.6	13.3	44.0	100

Source: Central Bureau of Statistics

Firstly, the decision maker within the KUDs should be more, autonomous, but they are having confidence and capability to handle the businesses under their own initiatives and responsibility.

Secondly, if the above condition are fulfilled (as minimum requirement for moving toward self-reliance) the government support can be more indirect (for example, through private business institutions, secondary, tertiary cooperatives etc.)

4.10 Taking into account the above limitations, however, one should also perceive the cooperative conditions as cyclical and in the process of development. In the sense, that KUDs as "a subject" in the movement will be facing opportunities as well as challenges. From the experiences during the Pelita IV, it is indicating, that an optimistic view can be justified supports for two major aspects :

Firstly, the members of KUDs have received increased services, for the distribution of inputs, processing and marketing agricultural products either through credit or cash payment. This indicates, to a great extent, that KUDs have done positively to members, even at better terms of price and non-price services (in comparison with the competitors).

Secondly, from the above services rendered by KUD, it is indicative that the linkage between members and KUD management are now enhanced. This is not to say that the such linkage have been mechanistic but it is proceeding through the reciprocal inter-actions and benefacting the members and KUDs.

4.11 Although the businesses that KUD have developed, however, some limitations have simultaneously appeared.

Firstly, in promoting and help improve the self-reliance perception by the members of KUDs and the rural people have found limitations in terms of coverage and intensity. The guidance, extension services and education programs though they have been made more intensively, however, may have impacts at long period in producing efficient and effective decision-making.

- (1) There is also some reports that KUDs so far could not compete with the local retailers. This is true to some extent in the market operations of some products.

4.12 *Secondly*, in spite of increased internal capital, sales volume, the number of memberships and other activities of KUDs, it appears that the other relevant sectors in the economy move faster, and sometimes the latter limits the growth of cooperative sector. In the process of KUD/Cooperative Development during the Fourth Five-Year Plan, the data has indicated some progress in terms of quantity, but at the same time there has been slow growth in quality 2). This is, *inter-alia*, related to internal structure within the KUD, i.e. the relationship between the members and the management. This, in turn, has reflected to the goodwill, performances and the output achieved up to present time.

4.13 The promotion, guidance, in this respect from the Department of Cooperatives as well as from Foreign Aid (ILO, FESO, FAO, USAID etc) have given opportunities for business action, improved managerial capability, technical skill etc. The improved quality from such external supports, however, are gradual, as also indicated in many other developing countries. In this matter, this paper purposes some major remark, how the government role should be more instrumental to cooperative self-reliance.

4.14 Although the market share of KUDs have been increasing steadily during the last Three Five-Years Plans, however, such growth is not significantly felt within the framework of National Development.

4.15 Thirdly, in promoting the KUDs businesses, based on comprehensive and systematic approaches, such government programs have met limitations due to procedural and bureaucratic aspects.

(2) Slow growth in quality has been indicated by services to members, the increased volume of non-government businesses relative to government program, internal capital etc. This mainly reflects the linkage between members and management.

An integrated guidance and business programs among related Departments, have often met structural difficulties such as hierarchical decision making, with consequent impacts on preferences for short-run rather than longer-run perspectives, low productivity, uncertainties or lag in information with further effects on underutilized resources from both internal and the

relevant environment. Such roles do not coincide with the bottom up decision making by the Cooperative Movement.

If the guidance and promotion by the government is to be developed through the foundation : "No day without achievement", it is expected by concentrating to quality of KUD decision capability, then there will emerge a lot number of KUDs having self-reliant businesses.

5. MAJOR POINTS FOR DISCUSSION

5.1 From the experiences of government roles in the cooperative promotion, moving toward self-reliance, the following points can be discussed.

5.2 The symptoms of and readiness of the members to control the management in disseminating/dispersing the opportunities granted provided by the government, can be a basis for self-reliance.

5.3 Any promotion by the government should also consider such reciprocal interaction between management and members (mm) through the linkage of cc (confidence and capability).

5.4 To strengthen such relationship (cc) the management not only coordinate the business and later, become the business leader on the members enterprises, but firstly, should lay down the fundamental perception on the *needs* of larger scale of business entity (rather than small but not beautiful). This can be promoted by government through programmes of guidance, counselling, extension services, education which should be coincidental to the cooperative needs and expectation.

5.5 As the management (i.e executive manager) is the chief instrument for modernizing the cooperatives, these personnel should be well supported and be most oriented by and for the members interests (business in particular). The government roles, in this respects, is limited only to inducing favourable climate for such "open and fair selection by members and may even no government influences at all". It appears the half way success of the cooperatives will depend on this selection process in choosing the best personnel for most or all members.

5.6 As many promoted cooperatives by the government program often cover the weekly income earners, the following profile are important to note before a government program will be assigned or implemented within the cooperatives :

5.7 The quantitative physical minimum requirement for the survival of the cooperative should be met, such as structure of businesses owned and handled by the members. Is there any marketable surplus which will be sold through cooperatives, i.e. in terms of income, products services etc ?

If most or many of the members have not such amount of businesses, there is a general tendency of dependency of such members continually to the management, though the latter has positively contributing to them.

5.8 The management structure i.e. decision-making process, how they decide, who, and to what extent they are responsible for most members ? It is sometimes reported that Board of Directors having the policy and financial authority, while the manager having the authority to decide but not supported with the financial power.

5.9 The market structure surrounding the cooperatives (rural or agricultural ones), i.e. Where is the position of cooperatives in terms of personnel capability, market share, internal capital etc in comparison with the relevant competitors ?

5.10 The structure of government role in promoting cooperative appear to be more effective if adapted to cooperative structure both internally and externally.

5.11 Instead of being assigned massively into rural cooperatives, the government roles are subject to specific performance and minimum conditions which have been prevailing within the cooperatives.

5.12 Under condition of improved performance, initiated by and through the members resources, the government roles should avoid over invested facilities, so as to keep the principle that external contribution to cooperatives are complementary and momentary.

5.13 As the government is unable to control the changing environment affecting the cooperative business, her roles should be directed to develop things having greatest impacts on the business linkages between members and the cooperatives. For example, the credit government program which is responded and supported by saving and loans among the members will have major impacts on both cooperative and members businesses.

5.14 Though the government role in promoting the cooperative has a legal constitutional basis in many developing countries, the cooperatives still and will confirmly become a "subject" having the right to design and decide their businesses. The cooperative capacity to select businesses should be encouraging in the evaluation, justification by the members interest and viewpoints.

5.15 In conjunction with such views, that cooperative should be the major subject in deciding their businesses, while the government officials can offer any opportunities, and promote such offer in light of members accessibility to the advantages of such government promotion.

5.16 In order to keep the government roles consistent with the above points, the following condition should be well designed :

The government official developing the roles should be consistently developing guideline and promotion. For this purpose, built in mechanism for the performance of the officials in serving the cooperatives through both incentive and disincentive system can be developed. The evaluations in this matter should emphasize more on qualitative rather than quantitative impacts.

5.17 Following the internal evaluation the government official in promoting cooperatives, competitive services among the related department can be ideally, developed for two main reasons. First, the bureaucracy between/among Department can be reduced its intensity, because of a hope to serve faster and better for the cooperatives. Second, each department will emphasize on quality (rather than quantity output) because of the limited resources available facing the cooperatives.

5.18 There are many reports as well as arguments, indicating difficulties of official or statal cooperatives in many developing countries (India, Philippines, Equador, Indonesia, etc) in serving

the members efficiently. It is indicated that the government role in this respect has been too deeply involved to the management and decisions making within the cooperatives (Koch, Munkner, Soejoria etc). Other reports, however, found that such government roles are not without success (Project Dairy Cooperative in Indonesia, many KUDs, etc).

5.19 They have increased the capital during the last Five Year Plans, to support larger services to their members in supplying inputs, processing, marketing and the necessary saving and loans system. (Syafradji 1985, Research and Development, Department Cooperative 1987). From these businesses they have increased surpluses and have distributed gains to their members.

5.20 It appears that the government role is really needed to strengthen the cooperatives structural position. Such government role, to be successful, should be facilitating and encouraging, within the framework of strengthening self-help from within the cooperative businesses.

ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES JAPAN

SHIRO FUTGAMI*

1. HISTORICAL BACKGROUND:

Before Enactment of Cooperative Societies Law (-1900)

1.1 The transformation of feudal system in Japan into a modern society started with the Meiji Restoration of 1868, when the feudal rule came to an end and government by Imperial Rule was restored. The transformation progressed along with the advancement of a capitalistic economy, but the rural landlordism persisted steadfastly. Meanwhile, the Meiji Government implemented the Land Tax Revision in 1873, and the feudal tax-in-kind was revised to tax-in-cash, thus paving the way for commercialisation of the rural economy. Furthermore, industrial development was promoted by imposing extremely heavy tax assessments in the agricultural sector. As a consequence, merchants and money-lenders increased their influence in rural communities. An ever-increasing number of tenants throughout the nation were forced to sell their crop before harvest, leading to the spread of social unrest. Many people left their villages only to find long-hour and poor work conditions with low wages in the cities.

1.2 With a view to improving agricultural productivity and also as a countermeasure against growing unrest in the rural communities on which the government depended as much as 80% for its fiscal revenue, it promoted a programme to establish farmers' groups that will hold periodic meetings on agricultural

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consultation and/or agricultural promotion. By 1898, there were 8,800 agricultural associations established for the purpose of promoting agricultural improvement. In 1899, the Agricultural Association Law was enacted to authorise the government to grant subsidies to the associations to help cover part of their personnel expenditures.

1.3 Meanwhile, a bill was drafted to legislate a Cooperative Societies Law which was to govern credit cooperatives, purchasing cooperatives, and marketing cooperatives, etc. all of which were rapidly increasing in number throughout Japan. On the other hand, regulations were publicized to govern such organisations that would provide farmers with guidelines on technical improvement and profitable marketing techniques in regard to specific commodities viz. the tea growers' cooperatives, the horticulturists cooperatives and livestock cooperatives.

2. START OF COOPERATIVES AS LEGAL ENTITIES AND ESTABLISHMENT OF COOPERATIVE FEDERATIONS UNDER GROWING CAPITALIST ECONOMY (1900-1930)

2.1 It was in this period that the economy of Japan entered the stage of monopoly capitalism. Viewed from another angle, it can be said that the remarkable economic growth was made possible by the sacrifices paid by Japan's farmers in such forms as the rural domination through landlordism, heavy tax assessments and the supply of cheap labour to the urban-centered industries. The agricultural sector, of course, also made progress during this period, primarily as a source for supplying food and labour, as a domestic market for consuming manufactured goods and also as an earner of foreign exchange by exporting silk and tea. However, this meant that Japan's farm economy during this period was drawn into a market economy at a time when commercial production had yet to be established in the agricultural sector, and, as a result, the farm economy was placed in straitened circumstances due to chronic economic depressions.

2.2 As counter-measures to help the poverty-stricken farm economy and ameliorate the growing unrest in the rural sector, the government introduced a series of agricultural protective policies that were more comprehensive than in the past. It was with this background that a bill on the Cooperative Society Law was prepared.

2.3 In 1900, the Cooperative Society Law was enacted and credit cooperatives, purchasing cooperatives, marketing cooperatives and utilisation cooperatives were established on solid legal foundations.

2.4 The first revision of the law in 1906 authorised credit cooperatives to launch into activities other than the credit business and this established the groundwork for the development of the current type of multi-purpose cooperatives. The second revision of the law in 1909 opened the way for establishment of federations and a union. As a result, prefectural federations and the Central Cooperative Union were established in 1910. Moreover, from 1909 onwards, both low-interest loans and agricultural subsidies were channelled through the credit cooperatives. By the third revision of the law in 1917, credit cooperatives were entitled to go into agricultural warehousing business, subject to regulations stipulated in the Agricultural Warehouse Law, and granted government subsidies for constructing warehouses. Furthermore, the so-called Rice Riot of 1918 stimulated the government to enact the Rice Law of 1921, whereby there was established a system by which the government itself would directly buy up rice through various cooperatives as well as selling rice. This gave the cooperatives an important role as a vital arm to implement the government's food policy as well as providing them with a firm ground to launch into the marketing business.

2.5 As a result of the fourth revision of the Law in 1921, which authorises the establishment of federations at the national level, and the Central Cooperative Bank Law of 1923, national organisations were established in both the purchasing and credit sectors. Other national federations were organised, like those embracing the silk-marketing cooperatives in 1927 and the rice-marketing cooperatives in 1931. The three-tier system of the cooperative structure thus took firm root.

3. AGRICULTURAL PANIC AND SPREAD OF COOPERATIVE MOVEMENT (1930-36)

3.1 In the milieu of intermittent economic depressions, monopoly capitalism made steady advance in the Japanese economy. This development accelerated moves to rationalise the distribution mechanism including liquidation of the middle merchants.

Meanwhile, the Depression of 1929, which started in the United States, made a full onslaught on Japan in 1930, creating serious repercussions on agriculture. As a countermeasure against the ensuing agricultural panic and the increase in tenant disputes—both of which were steadily becoming more intense—the government worked out a policy to nurture owner-cultivators as a means to improve agricultural productivity and mitigate the adverse effects of a parasitic landlordism on the farm economy.

3.2 With a view to ameliorating rural social unrest, the government convened a special Diet session to introduce a series of farm relief measures. The Economic Rehabilitation Plan for Rural and Fishing Villages, among other relief measures, gave cooperatives the key role in its implementation. Concomitant with these government actions, the cooperatives also initiated the Five-Year Cooperative Expansion Plan in 1932. With the advance of capitalism serving as the main backdrop, the government's policy of strengthening the cooperatives incorporated, furthermore, the idea of reorganising the rural markets by rationalising the distribution channel and eliminating middle merchants.

3.3 The government also promoted organisation of the agricultural practice associations and made them the substructure of the cooperatives. Special measures, like the extension of low-interest loans for debt liquidation of the farmers and credit guarantees, were undertaken through the cooperatives. Subsidies were granted to the cooperatives and the agricultural associations which handled the fertilizer business. As agricultural policies, the Rice Control Law and the Rice Self-Control Law for the prevention of sharp decline in rice prices were enacted in 1933 and 1936, respectively.

3.4 The above measures were greatly helpful in expanding and strengthening the cooperative organisations, on the one hand, but on the other hand, in retrospect, they constituted the early moves towards controlling the economy in the process towards the wartime militaristic regime.

4. WARTIME ECONOMIC REGIME AND STEP TOWARDS GOVERNMENT AGENT (1937-1945)

4.1 All economic activities and social movements were brought under a single overhead control as Japan proceeded from the

Sino-Japanese War of 1937 to the outbreak of the Second World War from 1941 onward. People, resources and even man's mind were mobilized for the sake of warfare.

4.2 Along with the shift to a wartime economic control since 1937 onward, various business activities of the cooperatives were also brought within the confines of overhead control. Consumer cooperatives related with labour and student movements were liquidated as a result of official oppression during 1938-40, and the landless farmers unions were disorganised in 1940. The cooperatives, under the prevailing wartime circumstances were mobilized for increased food production, unitary rationing and digestion of the wartime public bonds. In 1943, the Agricultural Organisation Law, was promulgated and the cooperatives were merged into the Agricultural Society, along with other agricultural organisations, like the agricultural associations, the horticulturists cooperatives, the livestock cooperatives and the tea-growers cooperatives.

5. POST-WAR RURAL DEMOCRATIZATION, ECONOMIC RECOVERY AND RISE OF AGRICULTURAL COOPERATIVES AND THEIR SUBSEQUENT SUCCUMBING TO MANAGEMENT DIFFICULTIES (1946-59)

5.1 Immediately after the war, Japan was placed under the rule of the Allied Occupation Forces and a thorough-going land reform was implemented. Yet problems like food shortages, hyper-inflation and excessive concentration of the population in rural communities were mounting. Under the circumstances, the big trading firms and industries revived through the exploitation of low-wage labour as a result of the low price paid to rice producers under a compulsory delivery system, heavy taxation and the special procurement demands created by the Korean War.

5.2 As a means of rural democratization and also to ensure a stable supply of foods, ration scarce goods and materials, absorb savings in the rural sector and ease off social unrest, the enactment of the Agricultural Cooperative Society Law was urged by both the Allied Forces and the Japanese administrative authority. The law provided for the democratic control by the cultivating farmers of the agricultural cooperatives to be newly established, and they were given the role to improve agricultural productivity.

5.3 In practice, however, not a few cooperatives failed to crystalize the free will of individual farmers at the time of their establishment, and many of them were by and large nothing more than the former agricultural societies with only repainted signboards. Coupled with the lack of competent managerial skill, drastic changes in economic policies, the inherited bad assets and lack of cooperative activities, etc. drove a large number of agricultural cooperatives into management stagnation during 1949-50.

5.4 In view of the above, the government instituted the following assistance policies:

1950 — The Standard Financial Ordinance to set down the standard criteria for development and administration of property;

1951 — The Law for Rehabilitation and Consolidation of the Agricultural, Forestry, and Fishery Cooperatives, effective for five years;

1953 — The Law for Promoting Consolidation of the Agricultural Forestry and Fishery Cooperative Federations, effective for ten years; and

1957 — The Special Law on Consolidation Measures for the Agricultural Cooperatives.

5.5 The three laws authorised the government to render assistance, such as interest subsidy to cooperatives and federation that have submitted rehabilitation or consolidation plans. By 1954, revision of the Agricultural Cooperative Society Law, a special chapter was incorporated providing for the establishment of the Union of Agricultural Cooperatives as the guiding organization to conduct overall guidance activities, including farm guidance, in place of the Guidance Federation which was then dissolved.

6. AGRICULTURAL TRADE LIBERALISATION, STRUCTURAL REFORM POLICY, AND RESPONSE OF AGRICULTURAL COOPERATIVES (1960-

6.1 Since 1960 onwards, the Japanese economy has achieved a major progress by virtue of the high-pitched growth policy.

Supply of cheap labour from the rural communities contributed significantly to this rapid growth.

6.2 In line, with the avowed objective to “make agriculture internationally competitive in the face of the anticipated liberalisation of the inflow of goods and capitals”, the agricultural policies of this period were aimed at promoting “structural improvement”, and at mobilising cheap labour from the rural sector for rapid economic development centered on the heavy and chemical industries.

6.3 Particularly since the latter half of the 1960s, wherein the dollar crisis is continuing unabated, international pressure for the upward revaluation of the yen is still strong, and the growing contradictions of the policy of economic high growth is resulting in inflation and widespread pollution on the domestic scene, a more drastic reorganisation of regional economic activities, unrestricted development and speculative activities in land transactions and widespread destruction of the natural environment are taking place. Under such circumstances, the minor position given by the big trade and industrial concerns and the government to agricultural policies must be corrected—they are faced with the need to make fundamental revisions from the view point of securing a stable supply of the basic foods for the nation and of conserving the environment.

6.4 Based on the 1961 Agricultural Basic Law and to promote structural improvement, the government granted subsidies for land consolidation, installation of agricultural modernisation facilities and environmental protection. It pursued the policy of developing economically viable individual farms by such measures as the granting of interest subsidies for the Agricultural Modernisation Fund loan - the principal capital of which is the financial resources held by the Agricultural Cooperative and instituting various price stabilisation schemes.

6.5 Meanwhile, the government decided to promote the amalgamation of the agricultural cooperatives—through assistance extended on the basis of a law specifically enacted for this purpose—to make them a competent arm of implementing the above mentioned agricultural policies. According to the provisions of the Amalgamation Assistance Law for the Agricultural Cooperative Societies, such primary societies whose amalgamation plan

has been approved by the Prefectural Governor are entitled to receive tax concessions in addition to the nominal subsidy for consolidation of facilities, cost of guidance by the Union staff stationed for this purpose, and promotional expenses.

6.6 In 1967, the new structural policies were set forth with the object to facilitate farmland mobilisation and the movement of labour to the urban centres. The main points of the policies included: (i) farm management by the agricultural cooperatives in a fiduciary capacity; (ii) relaxation of restrictions on the leasing of farmland; (iii) overall credit system for selected agricultural producers; (iv) upbringing of group farming units, (v) a special pension for retiring farmers and (vi) demarcation of land according to use purpose.

The above was followed by more distinct regulations on land utilisation by the New City Planning Law of 1968, the Law for Consolidation of the Agricultural Development Area of 1969, revision of the Agricultural Cooperative Society Law and of the Agricultural Land Law, and the inception of the Farmers' Pension Programme.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN DEMOCRATIC PEOPLES' REPUBLIC OF KOREA (DPRK)¹

HAN CHANG GUN*

1. INTRODUCTION

1.1 The Cooperative Movement in our country was started and improved based on the guidelines of the immortal idea of Chukchi. It developed further and attained the present high standard under the wise guidance of the great leader, comrade Kim Il-Sung, and the respected leader, comrade Kim Jong-Il.

Formation of Consumers Cooperatives

1.2 After the liberation of our country, the task of the anti-imperialistic and anti-feudal revolution was successfully put into practice under the guidance of the great leader, comrade Kim Il Sung. As a result of this, agriculture has entered a new stage of its development.

1.3 This posed an urgent need for developing a new trade which would further reinforce the relation between urban and rural industry and agriculture would ensure a satisfactory supply of commodities to farmers. Thus a consumers cooperative was formed on 20th May 1946.

Cooperative Movement in the Field of Agriculture

1.4 Cooperative Movement in the field of agriculture in our

¹ Translated version from Russian

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country started mainly after the successful implementation of land reforms after the liberation of our country, but at that time it was still in the initial stages.

1.5 In the post-war period this movement became such a force to reckon with that it could no longer be set aside.

1.6 As a result of the three-year national liberation war started by the American imperialists, agriculture was badly affected, both labour and livestock were in short supply.

1.7 Under these conditions it was impossible to quickly re-establish and develop the agricultural productivity destroyed by war and to solve the peasant versus the landless problem which had increased at the time of war by continuing with the old method of individual farming.

1.8 Besides, the above mentioned situation also posed the threat that it could hinder further the development of industry and the entire national economy and could create a wide disparity between industry which is systematically re-established and developed quickly and agriculture which takes time to re-establish.

1.9 The only way to solve this problem was Cooperation in the field of agriculture.

1.10 Thus the Cooperative Movement in the field of agriculture found widespread application in the postwar period and was successfully accomplished before 1958 in a short period of time, not exceeding 4-5 years.

Socialist transformation of private Industry and trade by Organisation on Cooperative Lines

1.11 After the liberation of our country, the foundations for building a self-sufficient and independent government was laid by nationalisation of the leading branches of industry.

1.12 However, the industry passed on to us by the Japanese imperialists after the liberation of our country was a faulty one with a colonial bias.

1.13 Hence, after liberation, the emphasis was on increase in

the production of goods in public sector for satisfactorily solving the problem of goods indispensable for human life. Besides additional measures were taken for solving this problem by organising local industries and industrial cooperative societies. Thus the industrial cooperative societies were organised on 1st September 1947. The socialist transformation of domestic industry started from this time.

1.14 Similarly, fishery cooperatives were organised in April 1948 and credit cooperatives in July 1957.

1.15 The socialist transformation of the private industry and trade was completed in August 1958 by forming marketing cooperatives and industrial-marketing cooperatives.

1.16 The aims of the Cooperative Movement in our country were to make the workers of our nation the actual masters of the society; reinforcement and development of the socialist structure of our country.

1.17 Another aim of this Movement was to foster and instil in the workers the ideals of friendly cooperation and cohesion and a spirit of collectivism.

1.18 The Cooperative Movement in our country was started and developed by the personal work of the great leader Kim Il Sung in one unit and presentation of its advantages by the available data.

1.19 The branches of cooperatives include agricultural, fishery, industrial, marketing, consumer and credit societies. In our country there do not exist any conditions that hinder the promotion of the Cooperative Movement.

2. LEGAL STATUS OF COOPERATIVE MOVEMENT

2.1 The Socialist Constitution of DPRK defines the following :

“18. The means of production in the Democratic Peoples Republic of Korea is the property of the State and cooperative organisations”.

“20The government legally protects the property of the cooperative organisations”.

2.2 The cooperative organisation in our country has its own individual management system.

* Management System of Consumers Cooperatives Central Union of Consumers Cooperatives of Korea—Provincial Consumers Cooperative Committee—District Consumers Cooperative Committee.

*Management system of agricultural cooperatives.

Agricultural committee (executive organ of the branches of the administrative council)—Provincial administration of agriculture control—District committee for agricultural cooperatives administration—Agricultural cooperatives.

— The problems related to Cooperation in our country are discussed and solved by the Peoples Supreme Assembly of DPRK.

2.2.1 The officials of the cooperative board and members of the cooperatives of our country take part in large numbers as delegates in the Peoples Supreme Assembly and provincial, urban and district peoples assembly.

3. AIM OF GOVERNMENT IN PROMOTING COOPERATIVE MOVEMENT

3.1 The aim of government in promoting Cooperative Movement in our country is to organise, on a large scale, cooperatives in all sectors of national economy, to strengthen and develop them so as to strongly bring together the economic development of socialism and further successful acceleration of development of socialism and communism.

3.2. The actual aim of development of each cooperative fully coincides with that of the government.

3.3 The rules of the Consumers Cooperative Movement of Korea are defined as follows :

“13. The Consumers Cooperative Society of Korea, in conformity with the policy of Korean Workers Party striving continuously for improving the life of the people, has as

its main aim reinforcement of the economic ties between urban and rural areas and raising the standard of living of the members of the cooperative by increasing commodity circulation”.

4. ROLE OF GOVERNMENT

4.1 The government of our country does everything necessary for strengthening and promoting the Cooperative Movement.

4.2 The government discusses and adopts resolution for development within a given period and takes measures for implementing the suggestions for day-to-day work.

5. GOVERNMENT SUPPORT FOR PROMOTING COOPERATIVE MOVEMENT

5.1 Financial, material and labour support for promoting Cooperation is a steady policy of our government. The government of our Republic supports and gives aids to the cooperatives as per the following scheme :

- It accepts the resolutions of the Administrative Council concerning the sectors and types of cooperatives.
- It organises a legal system and apparatus which provides credit for the development of cooperatives.
- It systematically speeds up education and training of cadres for cooperative leadership.
- It ensures the right for cooperative activity in any specific field.

5.2 The government gives the following financial aid to the cooperatives :

5.2.1 Every year it provides fund for infrastructure and their technical reconstruction (remodelling).

5.2.2 On request from consumers cooperatives, it gives fund on credit for meeting the expenses for constructing shops, public catering network, consumer services network and for their technical reconstruction.

5.2.3 It regularly finances the agricultural cooperatives every year for the construction of small-medium scale irrigation works, pump houses, threshing floors, shed for domestic animals, storehouses, rural powerhouses and even meets the expenses for the construction of standard dwelling units for the peasants.

5.2.4 It also gives capital on credit for the infrastructure of the credit cooperatives at their request.

5.2.5 Such financial aid of the government is provided for in the central and local state budgets and it increases every year.

5.2.6 The government directly gives subsidies and incentives. For example, when there is a fall in price of commodities for which the government is responsible, it gives monetary compensation for the decrease in price of the commodities remaining with the cooperatives. Besides, the government also gives incentives.

5.2.7 The government gives short- and long-term credit at low rate of interest to the cooperatives through the state bank.

5.2.8 The financial aid given by the government to consumers cooperatives constitutes :

- A sum of 40 million Won for the infrastructure in the initial period of formation of consumers cooperatives.
- 72,400 thousand Won for the infrastructure and technical reconstruction in the subsequent year.
- 2,500 million Won for the loss caused by war and monetary compensation for the decrease in price of the commodities.
- 2,600 million Won as short- and long-term credit in the postwar period.
- After this, every year a monetary fund is devoted for infrastructure and technical reconstruction. In the recent years it is, on an average, 200 million Won annually. The credit limit is 300 million Won.

5.3 The cooperatives pay the government a definite sum from their profit.

5.3.1 The industrial and fishery cooperatives are free from the above obligation for 6 months or one year after their formation.

5.3.2 The rate of subscription of the consumers cooperatives is determined in the course of their development taking into consideration their size, membership and profit of that year.

5.4 In our country there is no system of paying commission (or fee) for registering and approving an enterprise.

5.5. The government takes the following steps for the development of cooperatives :

- It develops a commodity pricing policy taking care of the interests of the cooperatives and the state.
- The government encourages the Independence of the cooperatives.
- The government entrusts the function of controlling the activities of the cooperatives to an inspection commission of cooperative organisations.
- The auditing is carried out by the auditing wing of Inspection Commission.
- The cooperatives themselves solve the problem of selection and acceptance of the workers of the cooperative within the limits of the state labour plan.
- The government does not turn down and does not replace the selected committee of the board.
- The government tries its level best for continued development of cooperatives, increase in the standard of living of the members of the cooperatives, formation of cooperatives of different type, encouragement and recognition of cooperative ownership.

6. RULES OF COOPERATIVE SOCIETIES

6.1. There are resolutions of the Administrative Council for Cooperation. These resolutions show that the cooperative union of different types is the leading organ which directly helps its subordinate cooperatives and does its best to develop them.

6.2 In our country there are no conditions of preliminary registration of the organisations of the union as per RCS.

6.3 The Cooperative Principles in our country on which light is thrown by the Administrative Council resolutions coincide with the Cooperative Principle of ICA.

6.4 The law on cooperatives of our country was adopted by a resolution of the Administrative Council.

6.5 This resolution defines the development trend of the cooperatives, their maintenance and consolidation, but nothing is mentioned about the restriction of the activity of cooperatives.

6.6 The rules of the cooperatives permit the election of delegates (members) of the cooperatives as officials or head of the administration in the organisation of the same union. For example, at present the committee of the Central Union of Consumers Cooperatives of Korea consists of 39 people. Of these, 30.7 per cent are from the delegates of the provincial union and 33.5 per cent from the district union.

6.7 Members of the Executive Committee selected by the general body meeting of the cooperatives and one senior member sent by the upper union conduct the election to the governing body of the cooperatives.

6.8 The resolution of the Administrative Council specifies that clauses for a democratic management of the cooperative should be clearly indicated in the rules of the cooperative societies.

6.9 In this connection we give below the rules of consumers cooperatives :

- "16. The highest organ of the cooperative is the general body of the members of the cooperatives (assembly of delegates).

- "16.4. The members of the cooperatives (assembly of delegates) adopt the rules of the cooperative, elect the governing body and inspection commission and adopt their work report, discuss the measures for promoting the work of the cooperative and discuss and solve organisational problems at the general body meeting."

6.10. The legal status and powers of the Chairman and officials of the governing body of the cooperative are as follows:

- The Chairman of the governing body organises and manages the work of the governing body, has the unconditional responsibility of implementing the resolutions of the general body meeting of the members of the cooperative (assembly of delegates) and the governing body and resolutions and instructions of the upper union and guides the working of the Vice-Chairman and Chief Engineer.
- The Chief Engineer (of industrial and agricultural cooperatives) is responsible for production. The Deputy Chairman is responsible for providing the materials for production and for administrative provisions applicable to members of the cooperatives.
- The governing body and its Chairman in all the cooperatives are selected at the general body meeting of the members of the cooperatives.
- The Chairman is a state official in the course of his service.
- The Chairman of the governing body manages the work of the cooperative, acts as the Chairman of the general body meeting (assembly of members) and meeting of the staff.
- In our country the term of the governing body of the cooperatives of any type is one year.

6.11 The cooperatives of all types make rules about their activities and act according to them. For example, the consumers

cooperatives have the following rules :

- Rule for delivery and acceptance of goods.
- Rule for preparation of agricultural products and their exchange.
- Rule for commodity supply between district union and rural consumers cooperative.
- Rule for financial and book-keeping account between district and rural consumers cooperative.
- Rule for preparatory work of rural consumers cooperative.
- Rules of the cooperatives determine the punishment to the members of the governing body, inspection commission and members of cooperatives with whom irregularities have been detected.

7. MACHINATIONS AGAINST COOPERATION

7.1 In our country there are no machinations which adversely affect the development of Cooperation.

8. EDUCATION AND TRAINING OF MANAGEMENT STAFF OF COOPERATIVES

8.1 The government pays attention to the education and training of the main cadres of cooperatives.

8.2 The management staff and chief engineers are trained at the industrial, agricultural and commercial institutes. Each provincial union conducts special training for the management staff of the cooperatives in its own institutes for training section heads, agricultural and commercial cadres.

9. CENTRAL BANK

9.1 The Central Bank of our country serves as an active organ providing the credit of the required financial aid for the

development of cooperatives.

In our country a farmers bank was formed after liberation and state agricultural bank after the war and it merged with the Central Bank at the beginning of the sixties.

10. SALIENT FEATURES OF COOPERATIVE MOVEMENT & THEIR PROTECTION

10.1 In our country the government does everything necessary for strengthening and promoting the Cooperative Movement. In view of this, there is no need for a separate body for protecting, maintaining and developing the Cooperative Movement.

11. PROGRESS OF COOPERATIVE MOVEMENT

Number of Cooperatives and Members Cooperatives

— Membership of cooperatives (1000 persons)	1,566
— Number of consumers cooperatives (units)	3,471
— Number of urban (regional) and district unions of consumers cooperatives.	169
— Number of provincial (directly subordinate urban) unions of consumers cooperatives.	12

Total Commercial Transaction

— Total transaction (1000 Won) :	2,825,000
of which	
— retail turnover of merchandise (1000 Won)	2,240,000
— turnover of public catering (1000 Won)	380,000
— income of consumer service establishment (1000 Won)	160,000
— Sum for production in plants (1000 Won)	45,000

Others

— Number of commercial networks-shops (unit)	4,534
— Basic investment (1000 Won)	126,000
— Profit (financial) (1000 Won)	91,700

ROLE OF GOVERNMENT IN AGRICULTURAL COOPERATIVE DEVELOPMENT IN KOREA

KI-WON SUH, Ph.D.*

1. INTRODUCTION

1.1 Cooperatives were aimed at carrying out the socio-economic democracies, owned and controlled by their member patrons and designed to perform needed services for them at cost. That is, cooperatives were always defined in terms of ownership and control by the members and were valued for the benefits they brought to the members.

1.2 General types of Cooperative Movement at initial stage were consumer ones by urban workers and small producers, and consumer cooperatives have enjoyed great success in Western Europe since its first establishment, and have had an important effect upon the establishment of other kind of cooperatives all over the world.

1.3 However, agricultural cooperatives were not usually surrounded with the same ideological fervour which characterized the early consumers' cooperatives established by urban workers.

1.4 But the cooperative form of organization has become so widespread among farmers and rural people generally, that it seems to be the logical step for people engaged in agriculture and individual effort has gone as far as it can. As a result, the types of agricultural cooperatives are many, the number of societies and their membership have been multiplied and the influence of cooperatives in agricultural enterprise keeps growing steadily in most parts of the world. Thus the cooperative organization over the past century, but particularly in more

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recent times, has become an almost universal institution of farmers' economic solidarity.

1.5 The development of cooperatives in Western Europe was spontaneous and took place under their own power and on the basis of independent initiatives, but the cooperatives in developing countries came into being just as little as the result of direct and spontaneous initiative of the farmer themselves as they had in the rural areas of Western Europe.

1.6 It can be said that the following socio-economic circumstances as were prevailing in developing countries didn't provide proper climate for the voluntary and sound development of agricultural cooperatives, for example, short-term or erratic government policy, high rate of illiteracy, primitive agricultural technology, poorer population engaging in subsistence agricultural production, and greater dependence on large landowner and moneylenders, etc.

1.7 As a result, the Cooperative Movement in developing countries was generally initiated and promoted by the government and was looked upon as an appropriate vehicle of socio-economic development. Their objectives have not only been to facilitate the transition from subsistence agriculture to production for money-based market economy but also to guarantee food production adequate to the needs of a growing population or even to stimulate export-production to earn foreign currency.

1.8 Thus, most of agricultural cooperatives in developing countries are subjected to more or less comprehensive programmes of government promotion in connection with the social and economic development policy of the nation.

1.9 Nowadays it has become quite common to look upon cooperatives and particularly agricultural cooperatives, in terms of something much larger than membership, that is, the total members' economy in the case of an individual cooperative or the whole economy in the case of a national Cooperative Movement.

1.10 Accordingly, from a traditional role that was microeconomic and concerned with a limited circle of people, cooperatives are being urged, and even propelled into a new role that is macroeconomic and concerned with government development policy.

1.11 However, the role of government policy in relation to cooperative societies should be one of active helpfulness, intended to stimulate cooperative enterprise, to guide it and keep it on sound lines without either attempting to compel or replace local initiative or self-help. Government should in addition, promote conditions under which cooperatives will thrive and develop. Also, the maintenance of an adequate measure of autonomy by the cooperative is of great and positive value. An excessive control and interference or even support, is harmful the sound development of cooperatives.

1.12 There have been various traditional types of cooperatives with specific objectives and functions in the early days of Korean history, but the modern types of multipurpose agricultural cooperative movement were initiated by the government in 1961 as in the case of most developing countries.

1.13 The Korean government has fully recognized the importance of economic and social roles which can be played by the cooperatives for the welfare of cooperative members and for a rapid development of the national economy. Accordingly, substantial assistance and support were extended by the government to expedite the development of agricultural cooperatives.

1.14 During the last 25 years since its first inauguration as multipurpose agricultural cooperative system in 1961, it made a great contribution towards the enhancement of the social and economic status of member farmers through the diversified business activities related to all aspects of rural lives.

1.15 Agriculture and rural society in Korea are now experiencing structural transformation in accordance with high growth of the national economy, rapid industrialization and urbanization, relative low growth of agricultural sector in comparison with other industries, decrease of the contribution of the agricultural sector to GNP, decrease in man/arable land ratio, massive rural-urban migration of dynamic young people, change in food consumption pattern and commercialization of farming, change in the style of living and demand for welfare of rural population. These changes on the above-mentioned various aspects are expected to be more serious and expanded in the future.

1.16 In relation to these changes of rural society, it is requested to undertake new role and function for agricultural cooperatives.

2. HISTORICAL DEVELOPMENT

2.1 There have been various cooperative organizations with specific objectives and functions in the early days of the Korean history.

2.2 The development of Cooperative Movement in Korea can be divided largely into three stages, that is,

- (1) traditional preoperative form at village level in the early days;
- (2) state-sponsored and state-controlled conventional cooperatives under the Japanese colonial government; and
- (3) member-oriented modern multipurpose agricultural cooperatives.

2.2.1 Preoperative in the Early Days.

2.2.1.1 The most prominent and prevalent ones among traditional preoperative forms in rural areas are Dure, Pumassi and Kye.

2.2.1.2 The origin of this preoperatives type can be traced back to Koryo Dynasty (935-1392 A.D.) or even to Silla Dynasty (57 B.C.-935 A.D.) and they are so deeply rooted in the social and economic life of the Korean people that they are still prevalent in both rural and urban areas.

2.2.1.3 However, these traditional types of preoperative did not occur within a formal organizational structure and were more directed towards the immediate satisfaction of needs than towards pursuing economic interests.

2.2.1.4 They were frequently of limited duration, continuing until the job was done, and were restricted to members of the village group. They were not geared to economic contact with those outside the group.

2.2.1.5 In most cases the traditional cooperative forms are closely linked to the static social order. The village population was classified within this system according to birth, age, or other criteria. There was little general social mobility and no classification by economic effort or productivity, seldom according to individual capacity.

2.2.2 State-Sponsored and State-Controlled Conventional Cooperative under the Japanese Colonial Government.

2.2.2.1 The earliest attempts to organize formal cooperatives in Korea appear to have been made during the early part of the 20th century by the Japanese Colonial Government. Japanese colonial government established several agricultural organizations in rural areas, but these organizations were aiming not at promotion of the social and economic interests of small farmers but at economic exploitation and manpower mobilization as a vehicle for the advancement of the Japanese capitalistic economy.

2.2.2.2 These organizations are financial associations, farmers associations and industrial associations, and played predominant roles as instruments of policy implementation of colonial government and control and surveillance of rural people and rural society.

Under such circumstances of colonial rule, self-help organizations of small farmers and producers are not expected and usually have no chance to build up countervailing economic power against state-sponsored and state-controlled associations.

2.2.2.3 Likewise farmers had no advantage from membership in such associations because—as a rule—all producers, whether they are members or not, are treated in the same way.

2.2.2.4 There is little room for management in the true meaning of the word and for entrepreneurial activities and they were operated as administrative units which were controlled by colonial government.

2.2.3 Modern Cooperative Movement

2.2.3.1 The supreme target of the government under the dilapidated socio-economic circumstances after liberation from Japanese rule and the Korean War was rehabilitation and reconstruction of the national economy, especially the rural economy.

2.2.3.2 At that time, agriculture was the primary industry of the nation and the great majority of the population resided in rural areas, and also rural society was confronted with numerous problems such as low productivity, prevalent poverty, unemployment and usurious loans from money-lenders etc.

2.2.3.3 The policymakers fully understood that it couldn't be expected to rehabilitate the national economy without solving these rural problems.

2.2.3.4 As a result, the establishment of agricultural cooperatives as one of the most effective instruments for the development of the rural economy and for the improvement of social and economic status of farmers was broadly studied, and also legislative actions were taken with a view to providing legal base for the agricultural Cooperative Movement.

2.2.3.5 As a follow-up action to a series of these studies that Agricultural Bank, dealing exclusively with institutional agricultural credit, was established in 1956 through the reorganization of the Financial Associations. On the other hand, agricultural cooperatives handling business other than credit were organized in 1957 through the reformation of the Farmers Associations.

2.2.3.6 The Agricultural Bank enjoyed very successful business performance, while agricultural cooperatives suffered from poor business one due to several factors, including shortage of operational funds, inadequate system and low level of management technique. In particular, financial difficulties resulting from poor linkage between agricultural cooperative and Agricultural Bank placed heavy restraints on the economic business such as marketing and purchasing and impeded smooth development of agricultural cooperatives.

2.2.3.7 Consequently, both Agricultural Cooperative Law and Agricultural Bank Law were abrogated and the new Agricultural Cooperative Law was formulated and promulgated in July 1961. In accordance with the new Agricultural Cooperative Law, former agricultural cooperatives and Agricultural Bank were merged into present multipurpose agricultural cooperatives based on modern Cooperative Principles on August 15, 1961, and National Agricultural Cooperative Federation (NACF) was established as the apex organization at the national level.

3. LEGAL DEVELOPMENT

3.1 Originally, cooperatives were social and economic organizations without any legal basis; this type of organization had in practice

developed before any legislation covering them existed in Western Europe.

3.2 The main characteristics of this new form of organizations were laid down by their founders in the form of a set of principles like those of the Rochdale Pioneers or Raiffeisen. In the modern literature on the subject, cooperatives are no longer defined according to ideas or principles but by their type of organizational structure.

3.3 When the first laws on cooperatives were promulgated in Britain in 1852 and in Prussia in 1867, cooperatives already existed in both countries, and the law was, therefore, able to reflect existing practices.

3.4 The promulgation of cooperative legislation amounted to the state recognition of existing cooperatives, after their practical value had been demonstrated, as an appropriate form of organization to promote self-help and solidarity.

3.5 The state had simply to ensure that the principles of cooperation were embodied in legal rules, so that those who acted on the basis of the new cooperative legislation did not find themselves in conflict with Cooperative Principles. The law had also to incorporate guarantees to enable the cooperative objectives, the promotion of the members' interests, to be effectively realized, whilst at the same time, both members and creditors had to be protected against possible abuse of the separate legal personality allowed to this form of organization. At this time, government influence was restricted to the conferring of this separate juridical personality by means of registration or its withdrawal.

3.6 However, this situation has been changed in developing countries in which the population was economically too weak and too little developed to be able to develop the cooperative a stage further.

3.7 That is, the government has actively involved itself in cooperatives, took the initiative and designed relevant legislation on cooperatives with the intention of bringing the socially and economically weakest elements of society into economic life, promoting the modernization of traditional forms of commerce and production, and enhancing the development of national economy.

3.8 Like in the case of most developing countries, agricultural cooperatives in Korea were established by the top-down system after legislative action was taken first.

3.9 Article 120 of the Constitution of the Republic of Korea provides the legal foundation for the encouragement of self-help organization. Paragraph (2) of Article 120 stipulates that organizations founded on the spirit of self-help among farmers, fishermen, and businessmen engaged in small and medium industry shall be encouraged.

3.10 Based on the spirit of the Constitution, the government enacted and promulgated the Agricultural Cooperative Law in 1961 with a view to providing suitable legislation that would permit cooperators to organize and run business enterprises according to the basic principles and methods of Cooperation.

3.11 It can be noted that this is a concrete reflection of the government volition, that is, the objective of Cooperative Movement is to seek ways and means for enhancing the social and economic status of members of various types of cooperatives.

4. ORGANIZATIONAL DEVELOPMENT

4.1 The most principal purpose of agricultural cooperatives is to assist the member economy by partially taking over one or several economic functions. From the point of view of economic theory, the cooperative enterprise is often said to be charged with functions delegated by the member economies.

4.2 There is no limitation on the economic functions which can be taken over by the agricultural cooperatives, that is, they can engage in various operations such as credit and banking, supply of farm inputs, marketing, processing, storage of farm products and so on.

4.3 In general, agricultural cooperatives are derived from the original concept of Raiffeisen and supplementary influences of other pioneer cooperative programmes such as the Rochdale Model, elements of French cooperativism, and the concept of Schulze-Delitzsch.

4.4 Raiffeisen's original model, devised during the 1850s, was

really a multipurpose cooperative. At that time, the farmer was not able to compare different market sources of credit supply because of his full dependence on the local trader, who was simultaneously the moneylender. The cooperative society, therefore, had to organize the supply system and obtain credit grants for the farmer on the basis of common liability.

4.5 In view of the farmers' lack of experience in the disposal of cash, the cooperative society took over all monetary transactions in connection with the supply of goods and credit repayment through the proceeds of the produce marketed.

4.6 The contrary fundamental type is the single-purpose cooperative society, which concentrates on one function, such as supply society, marketing society, or credit society.

4.7 In practice, the choice between the multi-purpose and the single-purpose cooperative depends on (i) the needs of members; (ii) the economic structure and the development standard of the country; (iii) the legal and institutional traditions and conditions; and (iv) the availability of the necessary management.

4.8 The agricultural system in Korea is preponderantly made up of mixed farms run by small farmers, usually combining subsistence agriculture with the production of one or more crops such as fruits and vegetables..

4.9 The primary needs of these small farmers were above all credit, together with cheaply available means of production to enable them to get the highest possible yield from their restricted acreage.

4.10 They might also need the cooperative to provide other services during the production process, and need to use the cooperative to sell such produce they have, which is either superfluous to the requirements of their own families or is in the form of crops produced specifically for the market.

4.11 Accordingly, the objectives of agricultural cooperatives in Korea, as prescribed in the Agricultural Cooperative Law, are focussed on increasing agricultural productivity, the enhancement of the socio-economic status of member farmers and the balanced development of the national economy.

4.12 In an effort to attain these objectives, agricultural cooperatives oriented towards multipurpose cooperative system from the inception and have performed diversified business activities related to all aspects of rural lives including agricultural production, banking and credit, purchasing and farm guidance, and the like.

4.13 The primary agricultural cooperatives at the village level numbered 21,500 in 1961, the initial stage; and their activities were only restricted to the typical functions of conventional cooperatives such as supply of farm inputs and disbursement of farming loans on behalf of the government, and also they couldn't achieve operational efficiency and economy of scale in their management as independent cooperative enterprise.

4.14 In consequence, merger and amalgamation programmes were promoted from 1964 onwards as the first step strategy for the development of primary cooperatives.

4.15 The amalgamation of primary cooperatives has always, as its principal objectives, an increase in cooperative's viability and their capacity to provide services through the formation of large-scale economic units, also sometimes with more economic working.

4.16 Though priority in the case of mergers and amalgamations is generally accorded to economic considerations, which will determine the form and scope of the new cooperative, there are also non-economic factors which will be seen by the membership as being at least as important as, and even more decisive than the economic considerations.

4.17 The attitudes of members towards their own existing village cooperatives can be totally at variance with those which they entertain towards the township cooperative which it is proposed to create through the merger of several village cooperatives.

4.18 Forced amalgamation can do more harm than good, in that it can cause anxiety amongst the members and can help destroy the cooperative inclination of the group.

4.19 Accordingly, amalgamation programmes of primary cooperatives in Korea were proceeded step by step with taking motives and attitudes into account and with fully explaining advantages

and disadvantages before a decision is taken to merge or to amalgamate.

4.20 As the result of continuous amalgamation, the number of primary cooperatives decreased to 1,464 as at the end of 1985 and all the primary cooperatives accomplished self-supporting management foundation and economy of scale to be able to play a leading role in enhancement of social and economic status of member farmers as well as members economy.

5. POLICY ASPECTS OF AGRICULTURAL COOPERATIVE DEVELOPMENT

5.1 Food Production and Security Policy

5.1.1 The concern for self-sufficiency and security in food had grown in the past decade or so, especially since the food crisis of 1973.

5.1.2 Thus, maintaining food self-sufficiency at a reasonable level has been a major objective of agricultural policy in many Third World countries as well as in the developed countries.

5.1.3 From the liberation, through the Korean War and up to the late 1960's, Korea had experienced serious food shortages and depended a great deal on PL 480 food aid and importation to meet food requirements.

5.1.4 Accordingly, self-sufficiency and security of food crops has been becoming both a political and an economic goal, and most critical priority of agricultural policy has given to achieve self-sufficiency in the supply of staple food through implementation of a series of policy measures such as development of high-yielding new variety of rice, expansion of production base, promotion of farm mechanization, innovation of farming techniques and large-scale agricultural development projects, etc.

5.1.5 As a result of these positive policy actions for increased food production, self-sufficiency in rice, one of the most important food grains has been achieved. However, the overall situation of food production has lagged behind food consumption, resulting in considerable decreases in food self-sufficiency ratios.

5.1.6 The self-sufficiency ratio of grains including feed grains has decreased from 94 percent in 1965 to about 50 percent in 1985, and these rapid decreases can ascribe to considerable changes in food consumption patterns according to increases in the income level and to vast importation of feed grains such as wheat, maize and soybeans, etc.

5.1.7 Under these circumstances, the food problem facing Korea is concerned with how to meet the rapidly increasing food demand more efficiently with limited resources available.

5.1.8 The government has supported sufficient supplies of silica and other fertilizers, vinyl and other materials for protected seedbeds, farm machines and pesticides to enable farming operations to be carried out as planned.

5.1.9 The government has also provided various farming loans to farmers, and continuously improved agricultural infrastructure including water development, consolidation of farm lands, and farm roads.

5.1.10 The government ensured effective integration of agricultural administration, research, extension, credit and financing to increase agricultural production from national to the local level.

5.1.11 The entire business operations of agricultural cooperatives as multi-purpose cooperatives are closely related to food production and security policy of the government, and has given higher priority to increasing agricultural productivity through diversified activities such as the supply of farm inputs and credit, systematic agricultural extension activities and execution of agricultural development projects, including Saemaul Integrated Rural Development Projects, Diversified Farming Model Projects, etc.

5.1.12 In relation to production policy, NACF formulates quarterly and monthly implementation programmes and notifies same to member primary cooperatives based on the annual production plan formulated by the Ministry of Agriculture and Fisheries.

5.1.13 Agricultural cooperatives have been deeply involved in agricultural production through efficient provision of such farm inputs as fertilizers, chemicals, farm machinery, seeds and seedlings, etc.

5.1.14 In order to meet decreased farm labour force due to the rapid urbanization and industrialization of the Korean society, agricultural cooperatives have greatly contributed to the mechanization of agricultural productivity and have been supplied to farmers, together with financial assistance for various farm machineries.

5.1.15 Because of the involvement of agricultural cooperatives in all aspects of food production, the government has also provided considerable support for their development. For example, the government has been providing subsidies to agricultural cooperatives for the establishment of farm machinery service centres and gas stations which are operated by the primary cooperatives to expedite farm mechanization for increased food production.

5.2 Agricultural Credit Policy

5.2.1 One of the principal conditions for the favourable development of agriculture, and for the continued autonomy of the farmers, is the adequate provision of credit at the right time and on reasonable terms.

5.2.2 Where reliable institutions such as agricultural credit banks and credit cooperatives are incapable of carrying out their true functions, the farmers will become dependent on much more expensive credit of money-lenders, dealers and the large land-owners: "absence of institutional credit and requisite financial resources are basic evils which impoverish agriculture".

5.2.3 In many developing/under-developed countries, exploitation by the money-lenders of farmers has become one of the main causes of low agricultural productivity. Farmers have even to surrender their land to money-lenders as a result of high interest rates and unfavourable credit conditions which accompany them, such as the forced sale of their products at artificially low prices to the money-lenders/dealers: "as a consequence the farmers are plunged still more deeply into debt. Credit remains, however, an important source of finance for agricultural production".

5.2.4 The Financial Association which was aiming to mobilize farm savings, continued to provide farmers with institutional farm credit until the Agricultural Bank was established in 1956.

5.2.5 However, this organization was too weak in organizational structure and fund mobilizing ability to meet the requirements for farm credit. To supplement the weakness, City Banks and The Korean Development Bank were involved in farm credit, but their function was also greatly restricted to supply short-term/small-scale agricultural credit and they haven't made any contribution to the increase of agricultural productivity.

5.2.6 The policy-makers of the government deeply realized that efficient supply of agricultural credit will play a critical role in rehabilitation of rural economy, as well as in the development of the national economy, and they began to broadly study the establishment of agricultural credit institutions.

5.2.7 As a series of these studies, the Agricultural Bank, as the formal institutional/agricultural credit organization dealing with supply of exclusive agricultural credit, was established in 1956, based on the "Johnson Proposal" (a proposal for improving agricultural credit in Korea) and the "Cooper Proposal" (Proposed Agricultural Credit & Cooperative Legislation).

5.2.8 The Agricultural Bank has enjoyed a considerable success in its business performance, but it didn't carry out the original purpose such as the supply of long/medium-term farming funds and reduction of rural usurious debts, etc.

5.2.9 Also, the Agricultural Bank and agricultural cooperatives were supposed to supplement each others' functions in promoting rural development. However, the funds flow from the Agricultural Bank to agricultural cooperatives was not successful, and the expected complementary relationship was not realized.

5.2.10 Accordingly, the Agricultural Bank and agricultural cooperatives were merged into the present multi-purpose cooperatives in 1961, and the present multi-purpose cooperatives have been authorized to be the exclusive handler of institutional agricultural credit.

5.2.11 The government has provided a lot of institutional support, as well as financial support for the efficient functioning of agricultural credit in its early stage.

5.2.12 Paragraph (2) of Article 153 of the Agricultural Cooperative

Law provides that the Federation may borrow funds from the government, local autonomous entities, the Bank of Korea, other banking institutions or agricultural organizations.

5.2.13 Also, Paragraph (3) of the same Article states that the Federation may borrow funds from international organizations or foreign countries, and Article 156 of the Law stipulates that the Federation may issue agricultural financial bonds.

5.2.14 The government has granted several monopolies to agricultural cooperatives to ensure their financial viability. All loans for food production are channelled through cooperatives. Also, the channelling of funds to the rural sector from the National Investment Fund, Rural Housing Funds, Farm Mechanization Fund and Government Foreign Loans are made through the agricultural cooperative network.

5.2.15 That is, the government has supplied funds to the Federation so that agricultural cooperatives can finance development projects in the agricultural sector and the government loans have been used for financing agricultural production, irrigation, farm mechanization, export of agricultural products and establishment of agricultural marketing facilities, etc., at concessional rates of interest.

5.2.16 The government has established several kinds of funds for the development of the agricultural sector. The Farmers and Fishermen Credit Fund was established in 1972 with a view to allowing small-scale farmers or fishermen with insufficient collateral to borrow money from the agricultural/fisheries cooperatives. Also, the Young Prospective Farmers & Fishermen Support Fund was created to extend loans to innovative young farmers and fishermen who are planning to continue farming/fishing.

5.2.17 These two funds have been entrusted by the government to be operated under the responsibility of the agricultural cooperatives.

5.2.18 The credit and banking business of agricultural cooperatives aims at encouraging farmers' savings, supplying farmers with loans for the purpose of production and family improvement and supporting the activities of the other sections of the cooperatives with operational funds.

5.2.19 Agricultural cooperatives have achieved remarkable development as institutional credit organizations during the last 25 years since their inauguration in 1961, and have played important roles in the increase of agricultural productivity, implementation of agricultural/rural development projects, as well as in improvement of economic/social status of member farmers through effective supply of medium/long-term funds and drastic reduction of farmers dependency upon private usurious debt.

5.2.20 In recent years, the demands for agricultural funds has been rapidly increased, due to the increase in farm income, production of commercial farming, agricultural mechanization and expansion of the scale of rural economy. In an effort to meet growing requirements for loans in the agricultural sector, agricultural cooperatives have greatly expanded the source of available funds.

5.2.21 The financial resources of agricultural cooperatives come from two sources. One source is internal mobilization of funds whose sources are deposits received and share capital. The other way is external borrowing consisting of government funds, foreign loans and loans from the Bank of Korea.

5.2.22 Total financial resource mobilized at the end of 1985 amounted to 4,721 billion won, out of which 2,717 won (57%) came from deposits received, the remainder are borrowings from the government, the Bank of Korea, foreign financial institutions and other public funds.

5.2.23 The NACF has been quite successful in mobilizing semi-urban and urban deposits through its head office and branches to meet the credit requirements of member farmers. Thus, NACF's total deposits have increased rapidly from 216 billion won in 1971 to 2,717 billion won in 1985.

5.2.24 Accordingly, the share of deposits received by the NACF in the total financial resources increased from less than 20% in the early 1960's to around 60% in 1985. While the share of the government funds in total financial resources mobilized by the NACF decreased from around 50% in the early 1960's to around 10% (572 billion won) in 1985.

5.2.25 In addition to credit and banking business to the NACF,

primary agricultural cooperatives have greatly contributed to cater for rural financial requirements of farmers through a mutual credit scheme.

5.2.26 Up until 1970, agricultural funds were dependent almost totally upon external sources such as government-supplied funds, borrowings from the Bank of Korea and non-farmer deposits.

5.2.27 The mutual credit scheme was launched by the primary cooperatives in 1969 in order to mobilize potential savings funds in rural areas. These idle funds mobilized under the mutual credit scheme are used to make loans to member farmers for agricultural production and improvement of rural living conditions. Under the scheme, deposits received at the end of 1985 totalled 2,628 billion won and the total loan outstanding amounted to 1,856 billion won.

5.2.28 The mutual credit as the most important part of the primary cooperative business has contributed significantly to reducing the role and high interest rates of the private money-lenders.

5.2.29 Also, mutual credit is the key to the major improvements of the credit system in rural areas as farmers have rapidly become accustomed to formal credit channels which they were previously reluctant to utilize.

5.3. Agricultural Marketing Policy

5.3.1 The Korean government has formulated and implemented the Five-Year Economic Development Plans from 1962 onwards. In the process of formulating the Economic Development Plans, it has analysed all conceivable bottlenecks and inherent weaknesses in the Korean economy.

5.3.2 It has attempted to make realistic assessments of the present condition and capabilities for growth and then has designed the path to be followed in order to overcome existing difficulties.

5.3.3 However, any package programmes of agricultural marketing development could not be included until the Fourth Economic Development Plan (1977-1981) was formulated, even though

piecemeal marketing programmes combined with specific commodity such as fish could be found in the 2nd and 3rd Economic Development Plans.

5.3.4 The government adopted in the 1960's a basic policy of controlling the demand and supply of farm products by leaving them to market forces. However, as the consumption patterns and production trends in agro-fishery products shifted, the government began to intervene in the marketing process in an effort to control the demand and supply, and to maintain an optimum price.

5.3.5 With the changing environment in the marketing of agricultural products in the early 1970's, the government intervened in the marketing both directly and indirectly through implementation of various marketing policies such as placing the grain market in its own hands while leaving the marketing of fruits and livestock products in private hands.

5.3.6 As the national economy entered a new stage of massive scale marketing in the latter half of 1970, an emphasis was placed on shortening of the marketing channel, as well as on the marketing facilities to promote the modernization of the marketing structure.

5.3.7 Furthermore, the demand for the marketing service and the trade volume of agricultural and marine products have increased rapidly due to greater production capacity and the progress of modernization in the 1980's.

5.3.8 However, the national marketing structure was not efficient enough to meet the growing needs. The marketing participants were lacking in management skill and business perspectives while the material facilities, various provision systems and institutions activating marketing functions remained underdeveloped.

5.3.9 In consequence, the government had finally realized the importance of agricultural marketing improvement in terms of economic efficiency and price stabilization, and formulated the package programme of marketing development in the Fifth Economic Development Plan (1982-1986).

5.3.10 Cooperative marketing is closely related to the government

policy on agricultural marketing as one of the most efficient vehicles for marketing improvement of agricultural products.

5.3.11 The Law on Marketing and Price Stabilization of Agricultural and Fisheries Products which is the basic law on marketing agricultural products, has two provisions related to basic policy line towards cooperative marketing.

5.3.12 Article 41 of that Law stipulates that the government or any local autonomous entities should assist agricultural or fisheries cooperatives when they want to establish marketing facilities such as collection points, site selection and constructing roads for these facilities. The Law requires that the government or any local autonomous entities should give priorities in utilizing its or their marketing facilities to agricultural or fisheries cooperatives.

5.3.13 Agricultural cooperatives formulated their own marketing development plan under the government master plan and played an important role in the implementation of the government policy for the marketing improvement of farm products.

5.3.14 The master plan for marketing modernization (1982-1986) of the government envisages considerable encouragement measures for the improvement of cooperative marketing as follows:

- *Expansion of joint shipment through cooperatives
- *Improvement in facilities and management of cooperative marketing centers.
- *Improvement in management of cooperative chain-stores and retail stores.

5.3.15 Agricultural cooperatives are also entrusted by the government to handle the marketing of specific farm products such as rice and barley.

5.3.16 In this case, the agricultural cooperatives can be regarded as a government agency, and for the most of their activities related to this function are being done in accordance with the administrative orders of the Ministry of Agriculture and Fisheries.

5.3.17 Basically the policy line of the government towards cooperative marketing is laid on the stimulation of cooperative activities

through assistance and support. In line with this policy line, marketing centres of the agricultural cooperatives are regarded as public wholesale markets and thus wholesale transactions are legally permitted in these marketing centres.

5.3.18 Also the government has extended many forms of financial support to promote marketing activities of cooperatives including working funds of marketing centres and funds for the implementation of Shipment Adjustment Programmes.

5.3.19 In addition to this positive government support for the improvement of cooperative marketing and strong involvement of cooperatives in government marketing policies, agricultural cooperatives in Korea, as multi-purpose cooperatives, have their own specific necessities and responsibilities to carry out marketing activities more efficiently and economically in view of the following problems faced by member farmers when they market their produce.

- (1) Almost all of the member farmers are small farmers who are engaged in subsistence agriculture and are traditionally production-orientated and adapt more slowly to changes in the marketing environments.
- (2) A critical marketing problem for small farmers is his small marketable surplus. Small marketable surplus implies a weaker basis from which to bargain with assembly merchants or wholesalers. Direct marketing by the farmer becomes impractical because of high marketing costs. Therefore, small farmers traditionally have to depend on village traders to market their crops or produce.
- (3) Due partly to this small marketable surplus and to lack of awareness, the inefficient marketing practices employed by the small farmers result in higher post-harvest losses, higher marketing costs and lower prices.
- (4) So as to benefit from economies of scale, group action is a critical factor in successful small farmer marketing. With the exception of a few cooperatives functioning well, small farmers do not actually participate in group action to assist them in improving their bargaining position and in obtaining higher prices.

- (5) Several intermediaries are involved in different marketing stages from farm to final consumer, mainly due to the intrinsic characteristics of agricultural products and, therefore, small farmers are always in a weak bargaining position.

5.3.20 One of the most important roles of small farmers' cooperatives is to enhance their bargaining power in market through cooperative marketing which is to bring together the relatively small amounts produced by individual small farmers, to sell them to the wholesaler or the consumer at best obtainable prices.

5.3.21 Accordingly, the marketing business of agricultural cooperatives in Korea are aiming to increase members' income through the realization of mass marketing, enhancement of marketability and reduction of marketing cost and engaged in various kinds of marketing activities.

5.3.22 During the initial stages of the 1960s, the marketing business of agricultural cooperatives was heavily dependent on the government-entrusted projects under the guidelines and at the prices set by the government. However, in accordance with the gradual commercialization of Korean agriculture and successful completion of the primary cooperatives merger programme, the self-initiated cooperative marketing started to grow from the first half of the 1970s.

5.3.23 The development of market-oriented farm production has been an important factor to stimulate farmers' participation in cooperative marketing, and successful amalgamation of primary cooperatives has contributed greatly to the viability of the cooperative marketing business.

5.3.24 Since the late 1970s, great priority of agricultural cooperatives business activities was given to improving the cooperative marketing through concentrative fostering of farming/marketing groups in production areas, strengthening of the marketing function of primary cooperatives, increase of marketing volume and market share, expansive investment in marketing facilities and active participation of member farmers, etc.

5.3.25 As a result, in recent years the cooperative marketing

has been gradually increased on the aspects of marketing volume and market share as well as of marketing facilities and functions.

5.3.26 In a like manner, cooperative marketing faced many problems, such as inflexibility in decision-making, the remunerative issue in the marketing process, the lack of professional manpower, facilities and experiences and unfavourable market structure and the like.

5.4 Price and Procurement Policy

5.4.1 Agricultural policy cannot be regarded completely in isolation from general economic policy under the present mixed economic systems.

5.4.2 Agricultural price policy is very variable from country to country, according to national requirements, the degree of economic development and the goals of specific policies, but its general objectives lie in protecting both producers and consumers, maintenance of income balance between agricultural and non-agricultural sector, production adjustment through price mechanism, and stabilization of prices.

5.4.3 In some developing countries, the aims of agricultural price policy is to hold down retail prices in the interests of urban consumers, which can sometimes limit the growth of agricultural output. This policy has been criticized as one aspect of an unfortunate "urban bias".

5.4.4 As in the case of most of the developing countries, Korean Government has also sought to keep the prices of agricultural products as low as possible to attain economic stability and continuous high growth as well as to maintain urban consumer prices at a lower level.

5.4.5 However, these series of low price policies for farm products have brought about serious social and economic problems such as chronic shortage of domestic food supply, heavy dependence of food grains on importation, increase deficit in the balance of payments and increase of disparity in incomes between the rural and urban sectors.

5.4.6 Farm products prices are generally regulated by the Law

of Price Maintenance of Farm Products, the Grain Management Law, the Agricultural Basic Law, and the Law of Marketing and Price Stabilization of Agricultural and Marine Products and these laws are aiming at protecting both producers and consumers through appropriate price maintenance of farm products.

5.4.7 The most important among price policies for farm products is the dual price system on rice and barley.

5.4.8 Rice is the major staple food and the most important agricultural product in the Korean economy. Therefore, its production and procurement are programmed and controlled by the government.

5.4.9 Under the price stabilization programme of rice and barley, the government release them at lower prices than the procurement plus operation and management costs.

5.4.10 This dual price system is managed by the Grain Management Fund and the volume and price are determined annually, based on the production costs and estimated harvest volume.

5.4.11 In the process of the decision of procurement price on rice and barley, the great priority was given to stabilizing consumer prices, and hence the procurement price has been inclined to be decided at unsatisfactory level for producer farmers.

5.4.12 The enactment of dual price system through the operation of Grain Management Funds played a very important role in attaining of self-sufficiency of rice through diffusion of high-yielding new variety for which the government has given a priority in procurement rather than the indigenous rice variety, but it caused a great government budget deficit and is expected to be curtailed in the future.

5.4.13 As far as procurement business of grain is concerned, agricultural cooperatives can be regarded as a government agency, for most of the activities are being carried out in accordance with administrative order of the MAF.

5.4.14 The primary cooperatives purchase rice and barley from farmers at prices set by the government with the funds provided by the latter on commission terms, and the procured grains

are stored in their warehouse until they are transported to rice mills designated by the government concerned.

5.4.15 The government procurement of rice has focussed on the purchase of high-yielding new variety, and this policy made a great contribution in attaining self-sufficiency of rice through increased production of the new variety.

5.4.16 In recent years, government was not in a position to expand procurement volume and to procure high-quality indigenous rice due to the excessive deficit of Food Grain Management Special Account.

5.4.17 As part of the orderly marketing programme, the NACF purchase unhulled rice from farmers since 1983 to prevent the price of rice from falling in producing areas. Also the storage of government purchase food grains is an exclusive responsibility of the cooperatives.

5.5. Preferential Policy

5.5.1 Cooperative in its original form was a free and spontaneous movement. It owed nothing to government and its participants were usually anxious to avoid any form of state control.

5.5.2 In the countries where it plays the most important role today, it has remained as a part of free economy, and governmental control has been cut to the barest minimum.

5.5.3 However, most of agricultural cooperatives in developing countries have not grown from within the membership under the conditions of complete independence, but generally initiated and promoted by the government with a view to utilizing them as an efficient instrument for the national development policy, particularly for the development of rural economy.

5.5.4 Consequently, the government played the role of an initiator, director or coordinator in the initial stage of their growth, and provided financial, technical and administrative assistance to cooperatives.

5.5.5 The Korean government has fully recognized the importance of economic and social roles which can be played by the

cooperatives for the welfare of cooperative members and for a rapid development of the national economy and therefore, has rendered various forms of support such as tax concession, financial subsidies, exclusivity of fertilizer distribution and participation in government procurement programmes, etc.

5.5.6 At the time of the enactment and promulgation of the Agricultural Cooperative Law in 1961, it was generally accepted that the surplus from the business operation of cooperatives should be exempt from taxation because cooperatives are non-profit organizations.

5.5.7 (That is, because the word "Profit" is not appropriate to the context of a cooperative transaction with its members and the objective of cooperatives is the provision of services to members on the basis of self-help, rather than the generation of profit.)

5.5.8 This basic conception regarding the taxation of cooperatives was legally supported in the provisions of the Cooperative Law.

5.5.9 Article 8 to the Agricultural Cooperative Law stipulates that business and property of the cooperatives and the Federation shall be exempt from taxes and other public assessment of the state and local autonomous entities, except in the case of customs duties and commodity tax.

5.5.10 Accordingly, at the initial stage of their movement, the agricultural cooperatives enjoyed tax exemption and other imposition of public assessment on their business and property except for the customs duties and commodity taxes as stipulated in the Cooperative Law.

5.5.11 These tax privileges enjoyed by the cooperative continued until the end of 1965. During this period, the government fully understood the important role played by the agricultural sector for the development of the national economy in terms of supply of raw materials and labour and expansion of the domestic market.

5.5.12 However, in the process of the implementation of Five-Year Economic Development Plans, there emerged a need to enhance the efficiency of the tax policy through the readjustment and consolidation of diversified tax exemption articles of various laws.

5.5.13 As a result, the cooperatives forfeited tax privileges prescribed in the Cooperative Law with the promulgation of the Tax Exemption Regulation Law in December 1965 and had to pay almost all kinds of taxes, except for the corporation tax during the periods of 1966-1981.

5.5.14 Also, since January 1982, the cooperatives have been forced to pay even the corporation tax with the introduction of the Minimum Tax System of the government, but a preferential tax rate has been applied to cooperatives.

5.5.15 In case the standard of assessment is less than 50 million won, the corporation tax rate is 20 percent for profit-making corporations, while the corporation tax rate is only 5 percent for cooperatives.

5.5.16 The government has paid special attention to the improvement of the financial situation of cooperatives since their inauguration.

5.5.17 The present multi-purpose agricultural cooperatives have been authorized to be an exclusive handler of institutional agricultural credit.

5.5.18 In addition, cooperatives are given support by the government in recognizing them as suitable agencies for implementing various activities. The agricultural cooperatives have been authorized to be an exclusive agency for some of the government programmes.

5.5.19 All kinds of chemical fertilizer is supplied to farmers through the agricultural cooperative channel by the exclusive handling contract with the government.

5.5.20 Also, the government procurement programmes for such products as rice, barley, silk-cocoon, rapeseed, malting barley, sweet potatoes, corn and soybean are operated by agricultural cooperatives and the release of procured rice is exclusively managed by the cooperatives.

5.5.21 Cooperatives are given preferences in conducting import and export trade. For example, soybean for bean curd are exclusively imported by the agricultural cooperatives and supplied

to private processors, and also agricultural cooperatives were designated as only organizations for supplying agricultural products to the Armed Forces.

6. CONCLUSION

6.1 There is no doubt that agricultural cooperatives have greatly contributed to increase agricultural productivity and enhancing the economic and social status of farmers as well as better utilization of national resources.

6.2 In particular, the agricultural Cooperative Movement in Korea has achieved remarkable success in the fields of efficient implementation of government agricultural policy, the development of primary cooperatives, the establishment of rural credit systems and efficient supply of farm inputs, however, it is now confronted with some problems which have to be solved in both aspects of the government and cooperatives.

6.3 Furthermore, the next decade will bring about rapid social and economic changes in rural areas, which will require a positive and viable response from the Cooperative Movement.

6.4 In order to meet these changes, agricultural cooperatives will have to develop into more viable and thriving economic and social institutions in which all farmers will positively participate.

6.5 In relation to this study, we are lead to the following conclusions to promote more favourable development of the Cooperative Movement.

6.5.1 The government has to create more suitable environment in which agricultural cooperatives can develop autonomously by the member farmers and for the member farmers.

6.5.1.1 During the early stages of the Cooperative Movement, the government could substantially support and assist them within the policy limits. However, this assistance would logically decline as the cooperative developed.

6.5.1.2 The government in Korea has played an important role in the development of agricultural cooperatives through the implementation of various preferential policies to Cooperative

Movements, and on the other hand more or less excessive intervention, control and supervision to cooperatives for the implementation of agricultural policy has remained.

6.5.1.3 In this case, cooperatives may be charged with inappropriate tasks which conflict with the interests of their members, and members perceive the cooperative as a government organization from which they expect services, but for which they are not responsible.

6.5.1.4 The maintenance of an adequate degree of autonomy by the cooperatives is of great and positive value. An excess of control and interference, or even of support, is harmful to the sound development of cooperatives.

6.5.1.5 Experience in the history of the world Cooperative Movement has shown that Cooperative Movements cannot be successful without a certain degree of autonomy.

6.5.1.6 The most productive steps towards the autonomy and democratization of cooperatives is a transfer of the governmental control and involvement to the cooperatives own control organizations.

6.5.2 Bottom-up system of Cooperative Movement through autonomous and positive participation of member farmers should be established.

6.5.2.1 The Cooperative Movement in Korea was established in the form of the top-down system by the initiative of the government without positive participation of members, and cooperatives have been involved in the implementation of government entrusted business under the guidelines given by the government.

6.5.2.2 It is an undeniable fact that the agricultural cooperatives since their establishment in 1961 have placed more emphasis on the promotion of managerial efficiency as a cooperative enterprise and efficient execution of agricultural policy, and they were not in a position to disseminate cooperative ideals and spirits, and to train and educate member farmers.

6.5.2.3 Lack of the right understanding on cooperatives results

is a bottleneck to the smooth growth and progress of the Cooperative Movement.

6.5.2.4 Accordingly, higher priority of cooperative activities to come should be given to train and educate member farmers so that they might participate actively in the Cooperative Movement and conduct public campaigns to obtain full support from the general public.

6.5.3 More modernized and relevant marketing and banking facilities to cope efficiently with private sectors should be established.

6.5.3.1 Cooperatives are now in severe competition with the private sector in all business activities. In line with the rapid increase in agricultural production and farm household income, merchants and private sectors have begun to take a great interest in the rural market.

6.5.3.2 A number of large-scale supermarkets and chain stores have advanced to rural areas to buy farm products and to sell industrial products, resulting in severe competition with cooperative marketing and chain stores.

6.5.3.3 Furthermore, the primary agricultural cooperatives and branch offices of the NACF have been increasingly competing with commercial banks and post offices in the field of banking and credit.

6.5.4 Service functions to meet diversified demands of member farmers should be expanded.

6.5.4.1 The member farmers are increasingly requesting their cooperatives to pay higher patronage dividends, and interest on share capital, to guarantee high prices for their farm products, to expand rural welfare orientated business, including the increased supply of consumer goods at cheaper prices, to be actively involved in legislation activities designed to advance the interest of farmers and more broadly to render maximum services to them.

6.5.4.2 However, existing cooperatives are not in a position to cater to those diversified demands because of their limited

capability in terms of manpower, financial resources and also because of the inherent nature and characteristics of the Cooperative Movement.

6.5.4.3 In order to overcome this situation, the cooperatives have to strengthen and develop their service functions, and to persuade members to actively participate in the Cooperative Movement.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN MALAYSIA

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2. HISTORY OF THE COOPERATIVE MOVEMENT IN MALAYASIA (1922-1975)

2.1 The Cooperative Movement was introduced in Malaysia by the British as a response towards the growing financial needs of the rural farmers and government servants who were heavily indebted to landowners and money-lenders. Hence in July 1922, the Cooperative Enactment for the constitution and control of cooperative societies was passed. Following this, six Rural Credit Cooperatives were set up for the benefit of paddy planters. At the same time government servants were encouraged to save for the future and for contingency purposes. The Postal and Telecoms Employees' Thrift and Loan Cooperative Society was registered on 21 July, 1922 becoming the first Government Servant's Thrift & Loan Cooperative. By the end of 1922 three such Thrift & Loan Cooperatives were set up.

2.2 With the establishment of the Federation of Malaya in 1948, the Cooperative Societies Ordinance, No. 33 of 1948 was approved for all the states in the Federation. The responsibility to develop and spread the cooperative concepts was undertaken by the Cooperative Development Department (CDD) which was set up by the Government. At that time it was headed by a Commissioner for Cooperative Development, who was also the Registrar of Cooperative Societies.

2.3 In the East Malaysian State of Sarawak and Sabah, however, cooperatives were introduced in 1948 and 1959 respectively when the Sarawak Cooperative Societies Ordinance of 1948 and the Sabah Cooperative Societies Ordinance of 1959 were passed.

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2.4 At the end of 1966, there were 3,144 cooperative societies with a membership of 473,000 people. (Refer Appendix A) Prior to the mid-sixties, cooperatives were mainly involved in unifunctional activities, especially that of thrift and loan. However, since 1966, the Cooperative Development Department has encouraged existing and new cooperatives to venture into multipurpose functions so as to diversify their activities.

2.5 The period between 1967-1974 was a time of consolidation. Many societies that failed due to poor management and lack of membership support, were wound up. Although the number of societies during this period declined from 3,098 (1967) to 1,071 (1974), the amount of assets had increased from \$307,733,152 in 1967 to \$776,186,701 in 1974 (Refer Appendix A)

2.6 Initially agro-based and fishery-based societies came under the supervision of the Cooperative Development Department. However, with the formation of the Farmers' Organisation Authority (FOA) in 1973 (Refer Appendix B for functions of FOA), all agro-based cooperative societies came under its jurisdiction. On the other hand, all fishery-based cooperatives were handed over to the Fisheries' Development Authority (FDA) in 1975. (Refer Appendix C for functions of FDA).

2.7 The number of cooperative societies initially handed over to these agencies in 1973/75 is shown in the following table. The table also shows the position of these cooperatives for 1986.

TABLE 1
POSITION OF COOPERATIVES UNDER FOA AND FDA
(Between 1973/75 and 1986)

Organisation	No. of Coops		No. of Members		Share	Capital
	1973/75	1986	1973/75	1986	1973/75	1986
Farmers' Organisation Authority	1536	812	145,655	115,710	9,200.000	14,530,996
Fisheries' Development Authority	76	14	9,000	14,347	4,555.000	1,028,231

Source: FOA and FDA

2.8 From the Table above, it can be noticed that the number of such cooperatives has been reduced over the years. This was due to the deregistration of many non-active cooperatives. The existence of Area Farmers' Associations and Fishermen's Associations had reduced the premier roles played by cooperatives. The former organisation is basically an amalgamation between the multipurpose farmers' associations and many single purpose agro-based cooperative societies co-existing within the farmers' development area. Through this effort, it is hoped that the Area Farmers' Associations could provide integrated services, tailored to the needs and aspirations of the small farmers. On the other hand, the Fishermen's Associations had absorbed a number of weak fishermen's cooperative societies so as to form stronger units. This had also facilitated effective government supervision and assistance. In addition, unhealthy competition between the fishermen had also been minimised through such amalgamation.

3. NATIONAL COOPERATIVE ORGANISATION OF MALAYASIA (ANGKASA)

3.1 At the Malaysian Cooperative Societies Congress held in 1966, the idea of setting up a national union to integrate all the cooperatives in the country was mooted. It was felt that, such a union could play an important role in cooperative development through organising member education programmes, providing the relevant services as well as being a consultant and reference point for problems related to cooperatives in the country. As a result of this congress, an apex cooperative named ANGKASA was established in 1971 (Refer Appendix D for description of ANGKASA's aims and activities).

3.2 Presently, 1,127 Cooperatives are affiliated to ANGKASA.

4. CURRENT TRENDS IN COOPERATIVE DEVELOPMENT (1976-1987)

4.1 The last decade saw a further development of the cooperative societies supervised by the Cooperative Development Department. Table 2 shows the growth of the Cooperative Movement for the period 1976-1986. It is seen that for the span of the 10-year period, an average of 87 cooperatives per year were registered. There existed no consistency in the number of societies registered

yearly e.g. an increase of more than 100 societies for the period 1980-1981 and 1984-1986 as compared to only 18 societies in 1981-1982. This reflects, to a limited extent, the change in government policy as compared to the early stage of the cooperative development during the colonial and post-war periods when the government was encouraging massive registration of new cooperatives.

TABLE 2
COOPERATIVE STATISTICS, 1976-1986

Year	No. of Cooperative Societies	Membership	Share Capital (M\$'000)	Asset (M\$'000)
1976	1,106	932,653	368.7	947.3
1977	1,186	936,038	431.2	1,218.7
1978	1,240	1,006,387	473.4	1,430.8
1979	1,315	1,123,731	518.8	1,644.8
1980	1,392	1,310,784	591.7	1,996.6
1981	1,497	1,696,762	713.1	2,389.4
1982	1,515	1,952,385	793.1	3,225.8
1983	1,618	2,292,170	933.3	3,986.3
1984	1,707	2,454,827	1,064.6	5,295.4
1985	1,816	2,600,000	1,117.8	6,062.0
1986	1,980	2,821,000	1,391.5	7,684.3

Source: Department of Cooperative Development.

4.2 As regards the number of members on the other hand, an increase of about 250,000 individuals is observed for the period of 1981-1982 as compared to an increase of about 221,000 members for the period of 1985-1986. This reflects the cautionary policy of the Department not to register more societies but instead encourage would be members to become members of the already registered cooperatives.

4.3 Table 3 shows the classification of cooperatives according to activities for the period 1982-1986. For administrative purposes, the Movement is divided into the various functions even though most of the cooperatives undertake more than one activity. Hence as its name denotes, a multipurpose society may venture into credit, consumer or investment activities. The credit/banking

activities still form the backbone of the Cooperative Movement with 361 societies comprising about 31% of the total cooperatives. This figure excludes the multipurpose societies whose main activity is thrift and loan or credit.

TABLE 3
COOPERATIVE STATISTICS: PENINSULAR MALAYSIA, 1982-1986

Function	1982		1983		1984		1986	
	Number of Societies	Member-ship ('000)	Number of Societies	Member-ship ('000)	Number of Societies	Member-ship ('000)	Number of Societies	Member-ship ('000)
Credit/Bank	352	613	348	699	350	780	361	876
Housing	62	33	63	47	63	51	64	52
Consumer	233	126	224	77	226	85	245	106
Transport	123	43	131	76	131	83	174	70
Land								
Development	34	7	33	84	33	92	45	22
Industries	17	8	17	14	23	15	27	2
School	367	184	411	237	470	260	560	347
Insurance	1	127	1	120	1	132	1	122
Multipurpose	287	1,193	346	797	367	876	452	1,027
General								
Purpose	24	13	25	14	25	15	31	18
Investment	9	20	14	127	13	127	20	180
TOTAL	1,509	2,367	1,613	2,292	1,702	2,516	1,980	2,822

Source: Department of Co-operative Development.

4.4 During the current period, emphasis is being given to the development of school cooperatives. It is envisaged that school cooperatives will be the training ground for the development and continued existence of the Movement. The first school cooperative was registered in 1969. As at the end of June 1987 there were 596 school cooperatives. By the Fifth Malaysia Plan (1986-1990), is anticipated that all the 800 secondary schools in the country will have a cooperative. At present the main activity of these school cooperatives is the operation of the school bookstore and the school canteen. To consolidate this Movement, and apex organisation, the National School Cooperative was formed in early 1975 to act as a supplier of school stationary and books to the various school cooperatives.

4.5 To uplift the economic standard of the rural people the government initiated the formation of the District Development

Cooperative and the Cottage Industry Cooperatives in the early 80s. In the urban sector the government mooted the idea for the formation of Workers' Investment Cooperatives. This was part of the government's effort to get more widespread and active participation within the cooperative structure by the rural population as well as the urban poor.

4.6 The District Development Cooperatives were initiated by the government to give impetus to the Cooperative Movement under the 'New Cooperative Era'. It was aimed at encouraging the local population in the various rural areas to carry out development projects on a self-help basis in their respective districts.

4.7 As at the end of 1987, 76 District Development Cooperatives (DDC) out of the 79 administrative disad been registered. In 1986 these DDC undertook projects valued at more than 7 million ringgit. Projects undertaken included the construction of rural-roads, irrigation facilities, building of community centres and other social facilities.

4.8 To intensify efforts in promoting cottage industries with a view to uplifting rural economy, Cottage Industry Cooperatives were initiated with five cooperatives registered in 1983/84. To date there are 27 such cooperatives. The presence of natural raw materials has become the basis of the industries undertaken. For example the village of Kampong Tanjong Bidara, in the state of Perak which is endowed with the natural resources of clay, specilizes in pottery.

4.9 The Workers Investment Cooperatives were set up in companies and firms where the employers consented to apportion a part of the company or firm's equity to the workers. The aim in the long run is for workers to gain control and ownership of the organisations in which they work.

Generally it has been observed that the performance of most cooperative societies has improved when compared to the colonial and post-war years. The present period sees the potential of cooperatives being developed into viable and independent societies with the exception of the newly-formed cooperatives. However, within the Movement itself different rates of growth have been observed. Credit/banking have been the most successful cooperatives by far. This is reflected in the amount of support it obtained

not only from members but also from non-members although there are other financial institutions present in the country.

4.10 Consumer cooperative stores were popular immediately after the Second World War when black marketing of essential goods was rampant. Such stores provided goods at reasonable prices. However, when consumer goods were easily and cheaply available support from cooperative members declined. This led to the liquidation of many stores. Consumer activities were almost wiped out then. However, after this period, with the establishment of multi-purpose cooperative societies, the consumer function was revived. Soon such societies had opened up a number of consumer stores, mini markets and supermarkets with the objective of serving members to help them combat inflation. However, due to the stiff competition faced by consumer cooperatives from the private traders in the last decade they were unable to provide lower prices for their members and many shops had to be closed down. Today only a handful of cooperative mini markets and supermarkets can be considered successful.

4.11 Housing cooperatives, on the other hand, are given the support and encouragement by the government to help solve the problem of housing in the country. Under the Fourth Malaysia Plan (1981-1985), they were expected to build 15,000 units of houses at an estimated cost of *M\$ 933 million. In 1986 there were 64 housing cooperatives and a total of 2821 units of houses had been completed by these cooperatives.

4.12 As for the other types of cooperatives they have to compete with the private and public sector in the development of the country.

4.13 Since 1986 the government has been taking steps, to introduce the formation of Workers' Cooperatives among unemployed graduates in this country. The concept of Workers' Cooperatives here is a group of people getting together, pooling their resources and skills and operating the cooperative as co-owners and co-workers. In 1987 the Cooperative Development Department and the Cooperative College together with the assistance of ILO MATCOM organised the first training programme for a group of 15 unemployed graduates to form workers' cooperatives. As a result of this programme three groups of people

*M refers to Malaysian Ringgit.

had submitted applications for registration of workers' cooperatives.

5. ROLE OF THE GOVERNMENT IN COOPERATIVE DEVELOPMENT

5.1 In Malaysia, the government has acknowledged that the Cooperative Movement can assist in uplifting the socio-economic status of the masses. The government continues to foster and encourage the development and expansion of the Cooperative Movement.

5.2 The Cooperative Development Department, since its establishment in 1922 has been entrusted with the responsibility of monitoring and promoting the development of the Movement.

5.3 Objectives and strategies of the Cooperative Development Department (CDD)

- (a) To improve the socio-economic standard of the people through the Cooperative Movement.
- (b) To create a clean, efficient and honest Cooperative Movement in line with the spirit of ERA BARU KOPERASI (New Cooperative Era) proclaimed in 1982.
- (c) To facilitate integration and foster the spirit of goodwill and solidarity through the Cooperative Movement.
- (d) To encourage the formation of viable cooperative societies with strong membership, sufficient capital and efficient management.
- (e) To encourage cooperatives to be actively involved in the fight against inflation and in other National Development Programme.
- (f) To educate members of cooperatives, including school children, to inculcate thrift, mutual help, unselfishness, self-reliance and self-discipline in line with the Cooperative Principles.
- (g) To spread the concept of cooperatives to ensure the continued growth of the Cooperative Movement.

- (h) To continue the programme of providing assistance to financially weak cooperatives to employ suitably trained administrators and in the funding of viable projects.
- (i) To increase training facilities for CDD personnel.
- (j) To encourage people of all races to join the Cooperative Movement and be actively involved at all levels.

6. GOVERNMENT ASSISTANCE IN COOPERATIVE DEVELOPMENT

6.1 To facilitate the growth and development of the Movement, a reorganisation of the Cooperative Department was undertaken in the 80s. Previously the promotion exercise was based on the rank-and-file system but with the recent intake of graduate personnel, it is hoped that the combination of experienced and knowledgeable staff will help to improve the standard of the Movement. While the workload of the cooperative officer in terms of the number of cooperative societies supervised is virtually similar to that prevailing in the post-war period i.e. on the average about 20-25 societies per officer, the strain upon the bureaucracy is very much reduced. This is due the presence of subordinate staff in the ratio of 1:3 between the Division A and Division C officers.

6.2 The CDD has played an important role of cooperative development in carrying out its supervisory functions. This is especially so in the rural areas where small sized cooperatives cannot afford the services of full time staff to carry out its activities and keep its books of accounts. They rely on the cooperative officers for advice and guidance in making many management decisions and in writing up the books of accounts.

6.3 The audit services provided by the Cooperative Department at very nominal rates has been a great assistance to many cooperatives who are unable to pay the high audit fees charged by private auditors. The provision of such audit services has enabled many smaller cooperatives to have regular annual general meeting.

7. GOVERNMENT ALLOCATION UNDER FIVE YEAR MALAYSIA PLAN

7.1 Under the Fourth Malaysia Plan, the CDD was given an

expenditure allocation of M\$ 49.55 million to carry out its development programmes as compared to the M\$ 16.5 million under the First Malaysia Plan (1966-1970). Under the Fourth Malaysia Plan M\$ 41.71 million ringgit was allocated to provide financial assistance to small cooperatives in the form of advances at a low rate of interest for financing viable projects.

7.2 A management subsidy was also given to school cooperatives and other financially weak cooperatives so as to enable them to employ suitable workers to manage and administer their business more efficiently. In 1986, 300 school cooperatives were given M\$100/- per month each as management subsidy and a loan of M\$200 thousand was given to the National School Cooperative. Other cooperatives which benefited from this scheme are the apex organisation of the District Development Cooperatives (National Development Cooperative) which co-ordinates and acts as a supplier to the various District Development Cooperatives. The National Development Cooperative was given a loan of M\$1.8 million at the beginning of 1984 at 4% interest for 180 months and a further interest free loan of M\$1 million was given in April 1986 to be used as working capital.

7.3 Under the Fifth Malaysia Plan (1986-1990) the CDD was allocated M\$33.07 million to carry out its projects. This was apportioned for the following activities:

(i) Loan facilities for cooperatives

The CDD allocated M\$26.36 million for giving out loans to cooperatives who are unable to raise funds on their own for working capital needs and for 'bridging finance'.

(ii) Mobile Film Unit

One million ringgit has been allocated to upgrade this unit at state level so as to intensify member education activities by the CDD.

(iii) Management Subsidy

2.5 million has been allocated to provide management subsidy for school cooperatives, the National School Cooperative and other cooperatives initiated by the Ministry.

(iv) **General Subsidy**

An amount of M\$2 million has been allocated for purposes of providing general subsidy to school cooperatives, National School Cooperative and the Sarawak Cooperative Union.

7.4 Up to the end of 1987 the CDD had extended loan facilities amounting to M\$28.3 million to 140 cooperatives for various projects. A total of 164 cooperative projects have been financed by this loan facility.

8. TECHNICAL ASSISTANCE

8.1 Besides the above financial assistance, technical assistance was also given in order to facilitate the growth of the cooperatives especially during their initial stage of formation. For example, the General Manager of the Malayan Cooperative Wholesale Society was a public servant, and the same line of action is undertaken in the implementation of the newly-formed cooperatives. Thus managers of the Cottage Industry Cooperatives are seconded officers from the Community Development Section of the Ministry. Technical assistance has also been provided through government agencies. In the case of cooperatives set up in the land development schemes under the various government agencies like the Rubber Industry Smallholders' Development Authority (Risda), the Federal Land Development Authority (Felda) and the Federal Land Consolidation and Rehabilitation Authority (Felcra), government officers from these agencies are specifically appointed to supervise and manage the cooperatives in the respective land scheme. This is felt necessary as most of the settlers in these schemes have low academic qualifications to carry out proper management of their cooperatives.

8.2 In the case of Felcra, for example, two employees of the agency (normally the manager of the land scheme and another officer) are appointed to the board of the cooperative. This is provided for in the by laws of these cooperatives. They usually act as the Chairman and the Secretary of the society and generally are the driving force behind the operations and management of these rural cooperatives. Felda on the other hand has set up 'Special Coordinating Unit' to supervise, guide and coordinate the activities of the cooperatives in its land schemes.

8.3 In the case of Risda, it has gone out of its way to help

cooperatives establish themselves as viable organisations. A Risda officer has been seconded to each of the cooperatives set up in its land schemes to act as the Cooperative Manager. This manager is required to devote his time to the operation and management of the cooperatives. It is the intention of Risda to withdraw its seconded officers as soon as the settlers are able to manage the cooperatives on their own and Risda officers are encouraging Cooperatives towards self-reliance and self-management. At present there are 62 Risda officers acting as cooperative managers.

8.4 In late 1987 the government allowed Risda to recruit 60 graduates and diploma-holders to be appointed as executives/managers of cooperatives under the Risda land development schemes. These executives are expected to work with the Risda officers. The salaries of these executives, however, are paid by the government for a period of two years after which the cooperatives will have the option of recruiting these officers into its own payroll or find other executives. The aim is to help the cooperatives have full-time managers so that cooperative activities can be carried out more efficiently, effectively and professionally, especially when the Risda officers seconded as Managers are no longer available.

9. OTHER INCENTIVES

- (i) Other government incentives to facilitate the growth of the Cooperative Movement include free registration, the provision of tax relief and other tax exemptions like stamp duty and business licenses.
- (ii) Under the Income Tax Act, 1968, cooperatives are exempted from paying tax for the first five years from the date of registration. A further five years of tax exemption is given for cooperatives having members' fund of M\$500,000 or less. Distribution of profit to the members of cooperatives is also exempted from tax.
- (iii) General Order 34[a] permits government servants to become members of Board of Directors of Cooperatives and also allows them to attend any courses, seminars or meetings of cooperatives by the provision of unrecorded leave.

10. COOPERATIVE LEGISLATION

10.1 In order to protect the rights and needs of the members and the cooperatives in general, the Cooperative Societies Act was enacted in 1948. It was adopted from the British-Indian Classical Model. Since its introduction, the Act has been amended several times and was revised in 1983.

10.2 As mentioned earlier cooperatives in Malaysia are at present classified for the purpose of constitution and control into three types, namely agro-based cooperative societies under the Farmer's Organisation Authority (FOA), the Fisheries-based Cooperative Societies, under the Fisheries' Development Authority (FDA) and others which do not fall into either of the first two categories are under the CDD. Both the FOA and FDA are agencies of the Ministry of Agriculture, each having been constituted by and operating under a separate Act of Parliament. The cooperatives under both authorities are still subject to the provision of the Cooperative Societies Act, 1948 with the Director-General of the relevant authority acting as the Registrar. The CDD, however, is now under the Ministry of National and Rural Development and concerned only with cooperatives that do not come under the FOA or FDA.

Legislation Promoting Cooperatives

10.3 The role of government in promoting cooperative societies through legislation can be considered under:-

- (a) Administrative Power;
- (b) Quasi-judicial Power; and
- (c) The Role of Court.

(a) Administrative Power

The power conferred to the Minister and the Registrar-General is in line with the objective of cooperative legislation which is to protect and promote cooperation.

Among the most important administrative power which is exercised by the Registrar-General is in respect to registration of cooperative societies.

This is provided for in sec. 7 of the Act. However, '....an

appeal shall lie to the Minister against the refusal of the Registrar-General to register any society...'

Another provision which is equally significant is to be found in Sec. 10A.(1) which gives power to the Registrar-General to direct the society to convene a general meeting within such time as may be specified for the purpose of amending its by-laws.

Sec. 11A is another section which gives broad administrative authority to the Registrar-General. It enables the Registrar-General or any other person authorised by him to attend and take part in any meeting held by a cooperative society. With this provision the Registrar-General acquires the right which exclusively belongs to the members.

Apart from Sec. 7, 10A and 11A, other provisions which require the Registrar-General to be administratively involved in co-operative affairs is to be found in Sec. 33, 35(3)(4), 35B, 35C(1), 36, 37 and 37A.

Under Sec. 33, the approval of the Registrar-General must first be obtained before any cooperative society can invest or deposit its excess funds in any form.

As for the other sections stated above, they are to be found in Part VI of the Act, which is in respect to 'Account, Audit, Inspection and Inquiry'. Under this Part, the Registrar-General is empowered, among others:

- to inspect all records which will sufficiently explain the transactions and financial position of a registered society;
- to order that the accounting and other records of a registered society be open to inspection by an approved auditor;
- to approve some person who shall audit the accounts of a registered society;
- to require the auditor of a registered society to report to him as to every trading and profit and loss account and balance sheet including the consolidated profit and loss account and the consolidated balance sheet;

- to have access at all times, to all books, accounts, papers and securities of a registered society, and shall be entitled to inspect the cash in hand;
- to hold an inquiry or direct some other person authorised by him by order in writing in this behalf, into the constitution, working and financial condition of a registered society; and
- to suspend all or any activities of the society or to suspend or dissolve the Board of the society.

The law does not prohibit a registered society from investing or depositing its excess fund. However, before it can undertake these activities, it must obtain prior approval from the Registrar-General. This is provided for in Sec. 33A.

As for the administrative power conferred by the Act unto the Minister, this is clearly illustrated in Sec. 30(3) and 34(1), whereby Sec. 30(3) states

“The Minister may, by general or special order, prohibit or restrict the lending of money on a mortgage or charge of any description of immovable property by any registered society or class of registered societies”.

Subsection (3) raises questions of great importance. As a general rule the security of loans should be almost entirely on short term. It follows that a mortgage of immovable property should not be required as security for the type of loan which a cooperative society usually gives. However, if mortgages are taken, they should be in addition to the instruments executed by the borrower and not in place of them.

Sec. 34(1) gives the Minister the right to direct a cooperative society to allocate ... ‘one-fourth or such lesser sum ... be carried to a statutory reserve fund’ and ‘such sum as the Minister may from time to time determine shall be paid to any educational institution ... or to a Cooperative Education Trust Fund ...’

One of the fundamental reasons why the Minister is given

this administrative power to exercise is because of the need for a cooperative society to concentrate on building up a strong reserve fund, thus reducing the possibility of its inability to pay up if ever it were forced to face liquidation.

Apart from the above reason, a strong reserve fund would also mean that a cooperative society would be more self-financing in nature and would require less outside financial assistance.

But the most obvious provision of the Act which gives a true meaning to the term 'administrative power' given to the Minister is to be found in Sec. 51, which states:

- (1) "The Minister may make all such rules as may be necessary for the purpose of the carrying out or giving effect to the principles and provision of this Act".

(b) Quasi-judicial Power

By Quasi-judicial power means that the Minister and even the Registrar-General have a character which is partly judicial, for example proceeding conducted by the Registrar-General in cases involving dispute as provided in section 49(1);

'If any dispute touching the business of a registered society arises...shall be referred to the Registrar-General for his decision.'

Apart from section 49, other sections of the Act which bestow quasi-judicial power upto the Minister or Registrar-General are Sec. 5(4), 38(2), 47(1) and 48.

Under Sec. 5(4), the Registrar-General is empowered to make the final decision on any question arising as to the qualification of any person who is entitled to apply for membership of a registered society.

Whereas sec. 47(1) gives the Registrar-General power to surcharge officers of a registered society. The power of the Registrar-General to issue order under this provision is enforced in the same manner as the enforcement of the order, issued by the Sessions Court.

The nature of quasi-judicial power of the Minister is clearly illustrated in section 38(2), where, 'any member of a registered society may, within two months from the date of an order under subsection (1) (in respect to the registration of the society), appeal from such an order to the Minister.'

Section 48 again gives the power to hear appeal to the Minister, whereby any person aggrieved by the order of the Registrar-General in respect of the order of surcharge may appeal to the Minister concerned. His decision shall be final and conclusive.

(c) **The Role of Court**

The cooperative law, which is currently in operation in Malaysia, does not encourage court 'Intervention' in the affairs of cooperatives. There are only two instances, where the court is called upon to play its part.

The first instance is when the Registrar-General requires the parties involved in a dispute to refer the dispute to court. This is provided for in Sec. 49(2)(c). In this situation the court is given the authority to decide the dispute in any manner it deems fit.

The Court may also consider and determine on any question of law referred to it by the Minister or Registrar-General, as the case may be, and the opinion given on such question shall be final and conclusive. This is provided for in sec. 50(1) and (2).

Apart from these two instances, the law implicitly and at times even explicitly discourages the involvement of court, and it goes to the extent of prohibiting members of a registered society to pursue in the court of law on any question which has been decided by the Minister or the Registrar-General (e.g. Sec. 49(4)).

11. COOPERATIVE EDUCATION AND TRAINING

11.1 The concept and philosophies of the Cooperative Movement, in general, are unique. The general public, especially the members and leaders of cooperative societies must be exposed to them.

in order that they may contribute and participate actively for mutual benefits. Thus education and training are necessary agents of progress for the Movement. Without a proper understanding of the cooperative ideology, it can result in the lack of loyalty and support from the ordinary members, board members and employee of the societies.

11.2 Ideally, every cooperative should make a conscious effort in promoting education and training, as stipulated in one of the six cooperative principles. However, in Malaysia such tasks have been actively undertaken by three organisations namely, the Cooperative College of Malaysia (CCM), the National Cooperative Organisation of Malaysia (ANGKASA) and the Cooperative Development Department (CDD).

Cooperative College of Malaysia (CCM)

11.3 The Cooperative College is the one and only institution for cooperative education and training in Malaysia. It was set up in 1956 with financial aid from the "Colonial Welfare and Development Fund". The Government made its contribution by adding extensions to the building of the College in 1959, 1964 and 1982. The College was incorporated (under an Act of Parliament) into a Statutory Body in 1968. At present the College is under the Ministry of National and Rural Development.

11.3.1 Since its establishment the administration of the College has been financed from the Cooperative Education Trust Fund, which was set up with contribution from the net profits of cooperative societies. Initially this contribution was made on a voluntary basis. However, since its incorporation as a Statutory Body, cooperative societies are legally required as mentioned in the Act, to contribute 2% of their net profit to this Education Trust Fund. [Sec. 34(1)b of the Cooperative Societies Act, 1948].

As a cooperative training institute, the College is responsible for providing training and education, especially in the field of cooperative management.

11.3.2 It is also responsible for printing and publishing articles and books on cooperation and other related matters. Besides these, the College provides advisory and counselling services to cooperatives.

11.3.3 Subjects taught at the College can be divided into four broad areas namely:

- Cooperative Law & Administration
- Accounts and Financial Management
- Business Administration
- Computer Studies and Application.

11.3.4 For the six-year period (1985-1990) the College has projected to conduct a total of 600 programmes at its premises in Petaling Jaya and to assist cooperatives and government agencies in conducting another 600 courses outside the campus. [Refer to table 4].

TABLE 4
PROJECTED COURSES/SEMINARS TO BE CONDUCTED BY CCM
(1985 — 1990)

Year	College Courses		Courses/Seminars Jointly organised		Consultancy Services (No. of Co-Operatives)	Total (Courses & Consultancy Services)
	No. of Courses	No. of Participants	No. of programmes	No. of Participants		
1985	60	2,000	100	7,000	25	185
1986	80	2,500	100	7,000	25	205
1987	100	2,800	100	7,000	30	230
1988	120	3,000	100	7,000	30	250
1989	120	3,000	100	7,000	30	250
1990	120	3,000	100	7,000	30	250
Total	600	16,300	600	42,000	170	1,370

National Cooperative Organisation of Malaysia (ANGKASA)

11.3.5 As an apex organisation of the Cooperative Movement in Malaysia ANGKASA has undertaken a number of activities especially in promoting cooperative education and training as well as in spreading the cooperative ideology. ANGKASA, however, has concentrated on carrying out member education programmes at state level. Apart from that, ANGKASA also provides advisory services and guidance to the Cooperative Movement.

Cooperative Development Department (CDD)

11.3.6 The Cooperative Development Department conducts basic cooperative courses and seminars at state or grass-root level for members and the general public. This is to encourage the formation of viable cooperative societies with membership, sufficient capital and efficient management.

11.3.7 Besides the CDD, the FOA and FDA also provide advisory services as well as conduct cooperative education courses for their members.

12. THE IMPACT OF GOVERNMENT ROLE

Positive Impact

12.1 Through Government aid and support, as mentioned in the role played by the government, the cooperatives in this country have benefited in the form of manpower and managerial knowhow, advisory services, monetary and moral support. The government's help in terms of providing manpower be it on a secondment basis or the direct recruitment of unemployed graduates to act as managers, has helped to bring about continuity of operations as well as better management of smaller cooperatives who cannot afford to recruit paid employees on their own.

12.2 Financial assistance in the form of low interest loans has enabled cooperatives to carry out projects which would otherwise have been impossible.

12.3 The government's involvement in cooperatives has helped in promoting growth of the cooperatives in terms of the number of cooperatives formed and the increase in membership. (See table 2)

12.4 The Cooperative College of Malaysia (CCM), the CDD, the FDA and the FOA and some other government agencies have contributed to the development of human resources through cooperative training and education conducted. As a large number of cooperatives are small or medium sized with only middle level management, training has been directed at equipping these employees in all aspects of management so that they are able to operate the cooperative more effectively and efficiently.

12.5 The government's help in providing technical assistance as well as channelling many rural projects through the District Development Cooperatives, and helping in the marketing of handicrafts produced by the Cottage Industry Cooperatives has helped to provide employment to many rural people.

12.6 The government on its part does recognise cooperatives as an important instrument of social and economic development and thus has been giving a helping hand towards that direction.

Negative Impact

12.7 There are, however, some negative impacts from the involvement of the government in cooperatives. In the context of the inadequate number of government staff to carry out audit, inspection and supervisory functions, the efficiency of cooperatives has been affected.

12.8 Another negative impact of the government's involvement in cooperatives is the attitude of dependency on government by the cooperatives. In some cases, every single move—help, subsidies, loan etc. from the government has been taken for granted by some cooperatives especially by the rural cooperatives. The members and leaders of these cooperatives tend to lack initiative, interest and support for their own cooperatives depending on the government to take care of their cooperatives.

13. THE FUTURE ROLE OF THE GOVERNMENT

13.1 There is no denial of the fact that self-help is better than external help. On the other hand, it is equally true that state-aid in developing countries, including Malaysia, is indispensable. The government's involvement in cooperative development must be characterized by a willingness to withdraw gradually from direct participation in cooperative development. This is certainly not a new idea. At one of the United Nations, F.A.O. Technical Meetings on Cooperatives held in India, as early as in 1949, it was postulated that:

“The role of government in relation to cooperative societies should be one of active helpfulness, intended to stimulate cooperative enterprise, to guide it and keep it on sound

lines without either attempting to compel or to replace initiative or self-help. Government should in addition promote conditions under which cooperatives will thrive and develop". In Malaysia the government could play an important role to help cooperative growth through the following:

(i) Legislation

13.2 The government should review the cooperative law and tighten its enforcement where necessary. This is so because it has been found that some loopholes exist in the cooperative legislation that enable unscrupulous leaders to take advantage of the cooperative as an institution as well as the cooperative members. The Cooperative Development Department is presently attempting to bring about amendments to certain sections of the 1948 Cooperative Societies Act. This is a good move. The amendments should be aimed at protecting members and their rights. They should not be manipulated by their leaders.

13.3 In addition to these amendments, the Government should also ensure that the cooperative legislation is carefully framed to prevent the establishment and registration of non-viable or pseudo cooperatives. As suggested by H.M. Munkner, cooperatives should be registered in two stages. The first at a pre-cooperative stage and the second, when a mature stage has been reached. After the first registration, once members and management of the cooperatives have gained some understanding and experience on the cooperative structure and operations, within a certain time frame, then registration as a true cooperative should be allowed. Considering the fact that certain cooperatives in Malaysia have a low survival rate, perhaps this approach towards registration could be one solution to overcome the problem.

13.4 It is important that the formation of cooperatives should not be encouraged merely for the sake of increasing the number of cooperatives in the country. Prior to registration, the Cooperative Development Department should examine carefully the genuine need for its formation as well as determine the economic and social benefits likely to be accrued to members. As cooperatives can be tools in bringing about the socio-economic mobility of all members, the government should ensure that all and not just a handful of members benefit from the cooperative activities.

(ii) Sole Registrar-General of Cooperatives

13.5 As explained earlier, in Malaysia agro-based and fishery based cooperatives are under the FOA and FDA respectively. Thus these cooperatives have a different Registrar as well as come under a different Ministry. Having cooperatives under three different registrars and two different ministries can create problems of planning, co-ordination and implementation. It can entail duplication of government effort and differing policies as regards to cooperative development.

13.6 The government should bring all cooperatives under one Registrar and one Ministry, irrespective of the kind of activities undertaken by cooperatives.

13.7 This will enable conservation of government resources, designing of a comprehensive cooperative development plan, better supervision and also enable the government to have a more organised form of assistance for all cooperatives. Training and other facilities could then be extended more effectively to agro and fishery based cooperatives, thereby helping to upgrade the performance of these cooperatives and in turn helping the rural members.

(iii) Housing

13.8 This is an important need-oriented activity that should be encouraged. House constructed by cooperatives for members are generally known to be 20 to 30 percent lower in cost than houses built by private developers. This demonstrates clearly the benefits that can be achieved by members of housing cooperatives. Thus the State governments should work at cooperating with cooperative societies by providing state-owned land at reasonable prices in order to encourage such beneficial activities. Steps should also be taken to reduce red-tape in the construction industry and preferences given to housing cooperatives especially for the construction of medium and low cost houses.

(iv) Rural Cooperatives

13.9 A large segment of the country's population from the rural areas are involved in agricultural activities. The incidence of poverty is much greater in the rural than in the urban areas.

In 1984 it was 24.7% as compared to only 8.2% in the urban sector. 90% of the rural poor consist of farmers.

13.10 Under the Fifth Malaysia Plan, the government aims at improving the economic and social well-being of the rural population and to redress the economic imbalance between the urban and rural sectors. Certainly the Cooperative Movement can help in achieving these objectives.

13.11 In this context, the formation of agro-based and fishery-based cooperatives should be encouraged. Through these cooperatives the people would not only be able to carry out production but the processing and marketing activities too, hence supplementing their daily incomes. In addition, rural producers would be able to combat exploitation by the private middlemen and thus obtain better prices for their produce.

13.12 For agro-based cooperatives to make a good impact on the national economy, the government has to provide the necessary financial and manpower assistance. The provision of an effective infrastructure to protect such cooperatives against initial competition would be helpful. There should be coordination between the government agencies presently involved in the processing and marketing of agricultural produce to avoid red-tape and wastage.

13.13 Performance of the government initiated rural cooperatives such as the District Development Cooperatives and the Cottage Industry Cooperatives should be given more momentum. Harnessing local talents and using local raw materials for the production of handicrafts, can result in the rural people being more self-reliant. Financial subsidies and assistance should only be granted if they carry out projects that really benefit its members and to those cooperatives that really deserve financial help.

13.14 However, technical expertise should be made readily available so as to enable the cooperatives to produce quality products for local and external markets.

(v) Workers' Cooperatives

13.15 Considering the fact that unemployment is becoming quite

a problem, the government should take steps to educate and encourage the formation of workers' cooperatives among all sectors of the people. Though steps have already been taken to introduce this concept among unemployed graduates with signs of a positive effect, workers' cooperatives need not be restricted to graduates only. Any group of people with a common need and ability to carry out an activity as co-workers and co-owners should be allowed to register as workers' cooperatives. The government should intensify efforts to form more workers' cooperatives among unemployed graduates as well as other unemployed people both in the urban and rural sectors.

13.16 In this respect the CDD should take steps to revise the cooperative legislation to cater for the registration and implementation of workers' cooperatives. Red tape and other obstacles to the registration of workers' cooperatives should be removed. The CDD should also study the possibility of reducing the minimum number of members for a workers' cooperative to as low as 5—10, depending on the nature of activities to be undertaken.

13.17 The government through the CDD should carry out more publicity drives as well as extend financial, technical and other assistance to encourage the formation of such cooperatives. It should continue to provide training in relevant technical, business and management subjects to equip these people with the necessary know-how and skills to operate business activities successfully.

13.18 There is a great potential for huge benefits to be reaped from the development of workers' cooperatives provided the people are correctly educated in its true concept and operation and a definite policy on the development of workers, cooperatives is established.

(vi) Medical Cooperatives

13.19 The idea of forming medical cooperatives was first mooted by the Federation of Malaysian Consumers' Associations (FOMCA). This idea should be pursued and investigated in greater detail by the government. Medical cooperatives, if implemented effectively, would indeed go a long way in providing proper medical care to the local people.

13.19.1 Presently, public hospitals are finding it difficult to cope with the increasing demand for its health services. Private hospitals and clinics, on the other hand, charge rates beyond the affordability of a large percentage of the general public. Hence, medical cooperatives would be able to complement the services provided by the public hospitals. However, the government should learn from the experiences of Japan in this regard as Japan's medical cooperatives have contributed much to the Japanese public. They do not just concentrate on curative medicine but the emphasis is also on teaching the public in taking preventive measures against illnesses.

(vii) Supervisory Services and other Government Assistance

13.20 A large number of the newly registered and rural cooperatives rely heavily on the government officials supervising cooperatives for guidance in the management of their cooperatives. Thus the government should ensure that these officials are properly trained and appropriately equipped with the knowledge and skills to help the cooperatives to carry out its activities successfully. However these officers should not create a situation of 'over reliance' on these government officials. Rather their efforts should be to help the cooperatives along the road to autonomy and self-reliance.

13.21 The government should continue to provide 'staff subsidy' either directly or through government agencies as this has been found to be quite helpful for the development of cooperatives. Such assistance, however, should only be made available to newly formed cooperatives which require such services. Furthermore these services should be restricted to a certain time period, say the first five years.'

(viii) Cooperative Education and Training

13.22 The government has to realise that the best contribution it can make towards the emergence of a strong, self-reliant Cooperative Movement is through cooperative education and training.

13.23 Children of today are the leaders of the future. Therefore, the government could intergrate cooperative education into the national education system and develop a curriculum to stimulate

cooperative consciousness amongst the school, college and university students.

13.24 Cooperative training, indeniably is a vital instrument and has been an intergral part of cooperative development in Malaysia. For this reason government officials supervising cooperatives have to be properly trained to be able to achieve the necessary results. Just as new recruits from the Cooperative Development Department are sent to the Cooperative College for pre-and in-service training programmes, the other Agencies too should do likewise. In addition, the officers should periodically attend follow-up courses conducted by the College, government Agencies and those provided by the other related organisations and training institutions.

13.25 Research and development activities also play a dominant role in supporting the growth of cooperatives in facing the challenges ahead. The results from such research and development will be useful for the formulation of policies and strategies to overcome problems in the future and achieve the targets of cooperative development.

13.26 In view of this, the Cooperative Development Department and the CCM should jointly set up such a unit. They should also coordinate with the Agencies such as RISDA, FELCRA, FELDA, the Farmers' Organisation Authority and The Fisheries Development Authority in order to achieve better results.

13.27 To implement effectively such a proposal the Malaysian Government should develop a comprehensive and integrated cooperative development plan. This plan should determine the main actions to be undertaken by the government so as to achieve the interests of the cooperative members in particular and the society in general.

13.28 It is suggested that under this plan, cooperative development in Malaysia should be divided into 3 stages.

First Stage

13.28.1 In the first stage, the government introduces the concept of cooperative to the people, takes initiative in establishing these cooperatives, and gives various financial, technical and advisory

assistance to them. At this stage, therefore, government interference should be substantial.

Second Stage

13.28.2 At this stage government control should decrease. As the cooperatives mature through the years, they may be able to accumulate their own capital, experience and confidence. Thus they may need minimal government assistance and control.

Third Stage

13.28.3 When the cooperatives become more stable financially and become more self-reliant and independent of government support and control, they should be given the autonomy to operate by themselves. Problems encountered should be solved by themselves.

If this Three-Stage approach is implemented then it would mean that the controlling hand of the government could be progressively reduced, thus encouraging cooperatives to be more independent and self-reliant.

14. CONCLUSION

14.1 The Cooperative Movement has been in the Malaysian scene for over 65 years. It has been and will always be a stable institution for the socio-economic mobility of the under-privileged masses. Although it is not a cure for all the economic needs of its members but given the right guidance and support it can be an institution to be reckoned with. The Cooperative Movement in Malaysia is fortunate to have paternalistic authorities which encourage the active growth of cooperatives. Numerous facilities and incentives have been made available to cooperatives in this country to help their growth. The government has even taken the initiative of starting and assisting cooperatives in rural areas to help the poor.

14.2 It has been the ambition of the government to be actively helpful in stimulating cooperative enterprises. It seeks to guide and keep them on sound lines for the benefit of members, without either attempting to compel or replace individual initiative and self-motivation.

14.3 It is the hope of the Movement that the government will continue to promote the right conditions for all cooperatives to thrive successfully and be self-reliant institutions in the near future.

APPENDIX A

DEVELOPMENT OF THE MALAYSIAN COOPERATIVE MOVEMENT

Year	No. of Societies	No. of Members	Share Capital (\$)	Total Assets (\$)
1966	3144	473,000	134,892,000	273,090,000
1967	3098	509,000	152,417,000	307,733,000
1969	2717	559,000	171,117,000	387,718,000
1970	2598	591,000	183,444,000	428,158,000
1971	2505	653,000	212,928,000	481,757,000
1972	2475	723,000	239,837,000	559,572,000
1973*	1026	668,000	259,418,000	631,578,000
1974	1071	768,000	305,299,000	776,187,000
1975*	1061	861,000	339,455,000	778,345,000

*Agro-based and fishery-based cooperatives are not included in this statistics for 1973 and 1975 respectively

APPENDIX B

THE FARMERS' ORGANISATION AUTHORITY (FOA)

In the government's efforts to better serve the needs of farmers in Malaysia, the Farmers' Organisation Authority was formed under an Act of Parliament in 1973. This organisation has jurisdiction over two key rural institutions: the Farmers' Associations and the Agro-based Cooperative Societies. One of its first task was to amalgamate these rural institutions into effective, viable and efficient farm organisations known as the Area Farmers' Associations.

The functions of FOA, as stated in the Act, are as follows:

- (i) to promote, stimulate, facilitate and undertake economic and social development of the Farmers' Organisations.
- (ii) to register, control and supervise Farmers' Organisations and to provide for related matters.
- (iii) to plan and undertake agricultural development within designated Farmers' Development Areas.
- (iv) to control and coordinate the performance of the above-mentioned activities.

In exercising these functions, the FOA is vested with wide ranging powers, the most important of which includes giving assistance to any Farmers' Organisation.

APPENDIX C

FISHERIES' DEVELOPMENT AUTHORITY (FDA)

The fisheries sector plays an important role in the overall Malaysian economy, in that fish is a major source of protein. It also provides a sizeable contribution to foreign exchange earnings and employs a large number of people directly and indirectly in the industry. The Fisheries Development Authority was formed under an Act of Parliament on 1st November 1971, in order to accelerate the development of fishery activities and to uplift the socio-economic well-being of the fishermen. In 1974/75 all fishermen's associations registered under the Fishery Association Act' 1971 and all fishery-based cooperatives registered under the Cooperative Ordinance-1948 were brought under the control and supervision of the Fisheries' Development Authority.

FDA is also to carry out the progressive integration of the fishermen's associations and the fishery-based cooperative societies to form a single organisation known as the Fishermen's Cooperative Society. The objective of this integration is to streamline activities to avoid overlapping and competition between these two organisations. The creation of the Fishermen's Cooperative Society also serves as a focal point for all government aid, directed and channelled for the economic and social betterment of fishermen.

The Objectives of FDA:

1. to promote the socio-economic position of the fishermen
2. to expand and promote the fishing industry

The Functions of the FDA:

1. to Promote and develop efficient and effective management of the fishery enterprise and the marketing of fish.
2. to provide and supervise credit facilities for fish production and to ensure that these facilities are put to maximum use.
3. to participate in fishing enterprise activities, construction of boats and supply of fishing equipment.
4. to promote, stimulate, facilitate and undertake economic and social development of fishermen associations.
5. to register, control and supervise fishermen's associations.

Strategies of FDA:

1. to explore sources for fish in areas where full exploration has not been achieved.
2. to undertake deep-sea fishing through joint-ventures with foreign investors.
3. to launch freshwater fish/prawn rearing projects on a commercial basis to increase production of fish and create more employment.

APPENDIX D

THE AIMS OF ANGKASA

1. to consolidate all cooperative societies in Malaysia.
2. to represent the Malaysian Cooperative Movement.
3. to advise and assist members in their business and other practices of the cooperative societies.

4. to promote the principles and practices of Cooperatives.
5. to encourage research and study of the problems related to the Cooperative Movement.
6. to provide and give advisory service and guidance with regard to law and administration, management, accounting, auditing, and liquidation in the interest of the members and the Cooperative Movement as a whole.
7. to promote education on cooperation and training in business and industrial management.
8. to assist the Government in encouraging and spreading the cooperative philosophy and ideology in Malaysia.
9. to provide and administer special or general funds to improve the Cooperative Movement especially in financing suitable candidates to study locally or overseas on the Cooperative Movement. It also seeks to finance expenses incurred by local representatives sent to attend conferences, seminars or cooperative courses overseas.
10. to control and look after the interest of the members in particular and the Cooperative Movement as a whole.
11. to serve as the centre for ideas and views regarding all matters relating to the Cooperative Movement and expressing views and opinions of the Cooperative Movement to any party concerned.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN PAKISTAN

ZEENATULLAH KHAN*

PART-I

1. INTRODUCTION

1.1 The Cooperative Movement in Pakistan started functioning with the inception of credit societies. The aim of these societies was to provide timely credit to the small farmers and to end their exploitation by money-lenders.

1.2 Pakistan inherited the same old structure of the Cooperative Movement in which the emphasis was laid upon the credit sector. Later on, as the need being felt, efforts were made to re-organize the whole structure and to increase the scope of cooperative to other fields such as supply of agricultural produce, cooperative farming, marketing and tubewell installation and consolidation of holdings etc. In June, 1987 there were 60537 cooperative societies of various kinds in the country with a membership of 3389565.

Legal Framework

1.3 The legal framework for registration, management, supervision, audit and liquidation of cooperative societies in Pakistan is provided by:—

- (i) The Cooperative Societies Act, 1925 and Cooperative Societies Rules, 1927.
- (ii) Multi-Unit Cooperative Societies Act, 1942.

*Adviser (Cooperation) Ministry of Food, Agriculture and Cooperatives, Government of Pakistan.

- (iii) Cooperative Farming Act, 1976.
- (iv) The Federal Bank for Cooperatives Act, 1976.

(i) The Cooperative Societies Act, 1925

1.4 The Cooperative Societies Act, 1925 is applicable to the whole of Pakistan. No society, other than a society of which a member is a society shall be registered under this Act, which does not consist of at least ten persons above the age of 18 years. Subject to the provisions contained in this Act, a society which has, as its object, the promotion of the economic interests of its members in accordance with Cooperative Principles or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability. Under this Act a highpowered functionary called the Registrar of Cooperative Societies is vested with the powers to register and regulate the working of the cooperative societies. If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and the proposed bye-laws of the society are not contrary to law he may register the society and its bye-laws under Section 10 of the Act and issue a certificate of registration under Section 11 which shall be a conclusive evidence that a society is duly registered.

Privileges of the Cooperative Societies Registered under the Cooperative Societies Act, 1925.

1.5 A registered cooperative society shall have the following privileges:-

- (a) It shall be a body corporate by the name under which it is registered.
- (b) It will have perpetual succession.
- (c) It will enjoy power to hold property and enter into contracts.
- (d) Have the right to institute and defend suits and other legal proceedings.
- (e) A cooperative society is exempt from compulsory registration of instruments relating to shares and debentures of the society; and
- (f) A cooperative society is exempt from stamp duty registration and court fees and income tax, inforce under any law, subject to the notification of government in the official Gazette.

1.6 The accounts of a cooperative society are audited by the Registrar himself or by some person authorised by him in that behalf.

1.7 The provincial governments subject to such safeguard as may be prescribed by rules, may grant loans to cooperative societies or guarantee the payment of the principal of the debentures issued by them or of interest thereon or both.

1.8 The Registrar or a person duly authorised by him in writing in this behalf may inspect and hold an inquiry into the constitution, working and financial conditions of a society.

Rights of Members

1.9 One-fifth of the members of a society may requisition a special general meeting of the society.

1.10 Members have a right to partake in the affairs of the society and vote on the basis of one-member-one-vote at the meetings, provided they have made such payment to the society in respect of membership as may be prescribed.

1.11 Every society is bound to keep at its registered address (a) a copy of the Act, (b) a copy of the Rules governing the society, (c) a copy of its bye-laws, and (d) a register of its members, and the members are entitled to inspect the same.

1.12 The share or interest of a member in the capital of a society or in any provident fund established under Section 4 of the Act shall not be liable to attachment or sale under any decree or order of the court.

1.13 Members are entitled to nominate a person or persons in accordance with the bye-laws of the society, to whom the payment of his interest may be made within a period of one year from his death.

1.14 The members may distribute the profits of the society in accordance with the conditions prescribed by the Act, the Rules and the bye-laws of the society.

1.15 Three-fourths of the members of a society present at a

special general meeting called for the purpose may apply for the winding up of the society.

Liabilities of Members

1.16 A member is liable to be disqualified for being, and for voting at an election of a Director, Manager or other officer of the society under the conditions mentioned below:—

- (a) if he has taken a loan from the society which has been outstanding for six months or more after it has become payable and has not been re-paid up to the day immediately preceding the date of the election, or
- (b) if he has taken a loan from the society which is repayable by instalments and the amount of three or more instalments has been outstanding for six months or more from the date on which the amount of the last instalment becomes payable and has not been re-paid up to the day immediately preceding the date of an election.

1.17 The liability of a past member for the debts of a society as they existed at the time when he ceased to be a member, continues for a period of two years from the date of his ceasing to be a member.

1.18 The estate of a deceased member is liable for a period of one year, from the date of his death, for the debts of his society as they existed at the time of his death.

1.19 The members of a society whose affairs are investigated shall furnish such information in regard to the affairs of the society as the Registrar or the person authorised by him may require.

1.20 The members or past members or the estates or heirs etc. of deceased members are liable to contribute to the assets of the society in liquidation proceedings.

1.21 Members are liable to compensate in regard to the misapplication, retainer, misfeasance or breach of trust as the Registrar thinks fit.

1.22 No person being a member of a cooperative credit society

or any society dispensing credit, other than a land mortgage bank, or a Central Financing Society or a Sale Society shall be a member of any other society of similar type.

1.23 The Registrar shall have the power to expel from any registered society, a member who in the Registrar's opinion is a persistent defaulter or who does any act prejudicial to the interest of the society.

Powers and Functions of the Registrar

1.24 An application for the registration of a cooperative society is made to the Registrar of Cooperative Societies after compliance with the required conditions. The Registrar, if he is satisfied that the society has complied with the provisions of the law and the rules made thereunder and the proposed bye-laws of the society are not contrary to the law, may register the society. The certificate of registration issued by the Registrar shall be a conclusive evidence that the society is duly registered.

1.25 When the question whether the liability of a society is limited or unlimited has once been decided by the Registrar at the time of registration, his decision shall be final.

1.26 For the purpose of recovering any papers, documents or books of accounts belonging to a society the Registrar may issue a search warrant and exercise all such powers with respect thereto as may be lawfully exercised by a Magistrate.

1.27 A society shall call a special general meeting within one month if requisitioned by the Registrar.

1.28 The name of a society may be changed by a resolution of a general meeting with the approval of the Registrar.

1.29 The Registrar may approve the amalgamation of two or more societies on the basis of a resolution passed by a three-fourth majority of the members present at a special general meeting of the society held for the purpose.

1.30 The amendment of the bye-laws of a society does not become valid until approved and registered by the Registrar.

1.31 The Registrar shall by himself or by some person authorised

by him in writing by special or general order in this behalf audit the accounts of every society at least once in every year.

1.32 Except with the general or special sanction of the Registrar and subject to such terms and conditions as he may impose, a society shall not make a loan to any person other than a member.

1.33 The Registrar may hold an inquiry, either by himself or by a person duly authorised by him in writing in this behalf into the constitution, working and financial condition of a society and shall hold such an inquiry on a requisition of a society made according to Rules and the officer and members of the society shall furnish such information as required.

1.34 In the case of a society that has not commenced working or has ceased working or possesses shares or members deposit not exceeding Rs. 500 is of the opinion that the society ought to be wound up, he may issue an order directing it to be wound up and when necessary, may appoint a liquidator for the purpose and fix his remuneration.

1.35 The Registrar may, by order in writing, direct a society to be wound up, if at any time it is proved to his satisfaction that the membership of the society has been reduced to less than 10 such members.

1.36 When the affairs of a society have been wound up, the Registrar shall cancel the registration of a society and such a society shall be deemed to be dissolved from the date of such order.

1.37 A society shall refer any dispute touching the business of a society arising between members or past members or persons claiming through them. etc. to the Registrar.

1.38 The award of arbitrators approved by the Registrar with the consent of the parties at dispute or a decision of the Registrar on an order passed by the Registrar on appeal subject to the provisions of section 64 and 64-A of the Act shall be final and conclusive and shall not be liable to be called in question in any Civil or Revenue Court.

1.39 The Registrar may require a society or an officer or a

member thereof to do any act or to furnish any information required for the purposes of the Act and a wilful neglect or refusal shall be an offence under the Act.

1.40 The Registrar may call for and examine the record of any inquiry or the proceeding of an officer subordinate to him for the purpose of satisfying himself as to the legality or propriety of any decision or order passed and as to the regularity of the proceedings of such an officer and he may pass such order thereon as he may deem fit.

1.41 The Registrar is empowered to expel a member from any registered society if in his opinion he is a persistent defaulter or does any act which is prejudicial to the interest of the society.

Inadequacies and needs for Reform.

1.42 Cooperative Societies Act, 1925 is 63 years old and needs to be revised according to the changed requirements.

(ii) The Multi-Unit Cooperative Societies Act, 1942

1.43 The Multi-Unit Cooperative Societies Act, 1942 provides for the incorporation, regulation and winding up of Cooperative Societies with objects not confined to one province. It extends to the whole of Pakistan. It applies to all Cooperative Societies with object not confined to one province incorporated before the commencement of this Act under the Cooperative Societies Act, 1912 or under any Act relating to cooperative societies with objects not confined to one province to be incorporated after the commencement of this Act.

1.44 A cooperative society to which this Act applies which has been registered in any province under the law relating to cooperative societies in force in that province shall be deemed in any other province to which its objects extend to be duly registered in that other province under the law there in force relating to cooperative societies, but shall be subject for all the purposes of registration, control and dissolution to the law relating to cooperative societies in force for the time being in the province in which it is actually registered.

1.45 Where any such cooperative society has established before the commencement of this Act or established after the commencement of this Act a branch or place of business in a province other than that in which it was actually registered, it was, from the commencement of this Act or the date of establishment of the branch or place of business, as the case might be, to furnish to the Registrar of cooperative societies of the province in which such branch or place of business, was situated a copy of its registered bye-laws and were at any time it is required to do so by the said Registrar, bound to submit any returns and supply any information which the said registrar might require to be submitted or supplied to him by the cooperative society actually registered in that province.

1.46 The Registrar of the Cooperative Societies of the province in which a branch or place of business is situated may exercise in respect of that branch or place of business any powers of audit and of inspection which he might exercise in respect of a cooperative society actually registered.

1.47 The Central Registrar for Cooperative Societies is appointed by the Federal Government of Pakistan.

1.48 The Central Registrar of Cooperative Societies, if appointed shall exercise in respect of any cooperative society to which this Act applies to the exclusion of Provincial Registrar the powers and functions exercisable by the Registrar of Cooperative Societies of the Province in which such society is actually registered.

1.49 If any cooperative society fails to furnish the information which it is required to furnish, any return required to be submitted the society and any officer or member of the society responsible for the failure shall each be liable to fine which may extend to fifty rupees and the registration of the society may at the direction of the Registrar of Cooperative Societies of the province in which the society is actually registered, be cancelled. The fine is considered too paltry nowadays and need to be raised.

Inadequacies and needs for Reform

1.50 The Cooperative Societies Act, 1942 is too brief and wanting in details. It needs to be self-contained and all relevant provisions need to be consolidated in a single law.

(iii) Cooperative Farming Act, 1976.

1.51 The majority of the land owners own holdings, not exceeding 25 acres which are uneconomical. It is not possible for the owners of these holdings to adopt modern methods of mechanization because of their meagre resources. This stands obviously in the way, not only to overall national economic development in general, but of development of agriculture in particular, which is the main-stay of Pakistan's economy. So with a view to encourage cooperative farming, the Cooperative Farming Act, 1976 was promulgated. Cooperative farms consist of voluntarily pooled individual holdings for joint-farming procedures and mechanization mainly run by their own elected management, with powers of policy decision lying with the general body of the farmers on the basis of "one-man one-vote" irrespective of the size of the holding pooled by an individual farmer.

(iv) Establishment of Federal Bank for Cooperatives and Regulation of Cooperative Banking Act, 1977.

1.52 The Federal Bank for Cooperatives was established in 1976 by an ordinance. Later on, the ordinance was converted into an Act of the Parliament in January, 1977. The Federal Bank for Cooperatives is the principal institution for meeting credit requirements of the Provincial Cooperative Banks and Multi-Unit Cooperative Societies. It is authorised to perform several functions including the following which are directly connected with cooperative development:-

- (a) To assist the Federal Government and the provincial Governments in formulating schemes for the development and revitalisation of the Cooperative Movement.
- (b) To encourage the development of special cooperative projects, the objects or area of operation of which may extend to more than one province.
- (c) To organise training in the areas of cooperation and cooperative banking for the employees of the Provincial Cooperative Banks and other cooperative societies.
- (d) To carry out research on problems of rural credit and on such other matters as have a bearing on the development of the Cooperative Movement in the country.

1.53 With a view to evaluating the past performance of the Federal Bank for Cooperatives and to make it more effective a study will be conducted shortly with the technical assistance of the Asian Development Bank.

PART - II

2. GOVERNMENT POLICIES VIS-A-VIS COOPERATIVE MOVEMENT

2.1 Under the Agricultural Policy of 1981 a large number of steps have been taken to popularize the ethics of co-operation amongst the masses. Our Agricultural Cooperative Policy aims at the development of multi-dimensional aspects of the agricultural sector. It envisages not only the supply of essentials of agricultural production, but also pooling of land to minimize the effects of fragmentation of land of small farms and preparing the ground for mechanized farming.

2.2 In Pakistan cooperatives are playing an increasingly important role in the socio-economic development of the country in general and in agriculture in particular. The present government is giving due importance to the cooperative sector and taking all possible steps to strengthen the Cooperative Movement.

2.3 The Federal and Provincial governments are actively utilizing cooperatives in carrying out various development programmes in all sectors of the national economy especially in the rural areas. A list of Development Projects in the Province of Punjab and Sind is enclosed (Annexure I).

3. TECHNICAL, FINANCIAL AND OTHER SUPPORT PROVIDED BY THE GOVERNMENT

3.1 The government has given top priority to distribution of inputs through cooperatives. The Federal Bank for Cooperatives is the principal institution for meeting credit requirements of the Provincial Cooperative Banks and Multi-Unit Cooperative Societies. Cooperative Credit Societies are working successfully all over the country in providing credit to small farmers and this plays a vital role in the credit sector of Cooperative Movement.

3.2 The loans disbursed by the Federal Bank from 1976-77 to 1986-87 are as under:—

Year	Short Term Production Loans	Medium Term Development Loans	Total.
1976-77 (6 months)	45.74	—	45.74
1977-78	203.74	2.50	206.24
1978-79	264.24	17.47	263.71
1979-80	581.89	19.34	601.23
1980-81	1,118.18	10.07	1,28.25
1981-82	1,091.90	8.90	1,100.80
1982-83	1,414.10	0.83	1,414.93
1983-84	1,449.50	0.39	1,449.89
1984-85	1,561.10	6.50	1,567.60
1985-86	2,020.11	28.47	2,048.58
1986-87	2,419.75	75.00	2,494.75

3.3 Besides the Federal Cooperative Bank, cooperative societies are also eligible to seek funds from Agricultural Development Bank of Pakistan and Commercial Banks.

3.4 Government also provides grants to cooperative unions for arranging seminar/conferences to give a boost to the Cooperative Movement in the country.

1.61 Financial assistance is also provided by the Federal and Provincial government to deserving cooperative societies for setting up Farming, Handicraft, Industrial and Marketing Centres etc in the country.

4. CREATION OF FACILITATING ENVIRONMENT FOR COOPERATIVE GROWTH

4.1 After independence (1947) the Federal as well as the Provincial governments have continued to stress the role of cooperatives as a vehicle for promoting the socio-economic

development. The Movement has not yet taken firm roots and has not attained the desired growth in conformity with the changed environments. The Cooperative Movement is more than half a century old but it is still unknown to the vast majority of people and is little understood by those who have joined its fold. The main reason for this general ignorance about the Cooperative Movement can be attributed to the fact that no proper arrangements were made for educating the masses in general and members in particular about its usefulness and the principles through which it could be run successfully. The members remain unaware of the working of cooperative societies and, consequently, they are exploited by vested elements. Lack of funds for arranging regular training programmes for managerial staff of cooperative societies is a sore constraint. Due to lack or/and obsolescence of managerial skills most of the societies are mis-managed resulting into losses leading to ultimate winding-up. The organization of one man/pocket societies, is adversely affecting the growth of cooperative societies on sound lines. The cooperative societies are not immune from political influences. There is a need to insulate cooperatives from politics.

5. COOPERATIVE TRAINING COLLEGES

5.1 The Cooperative Training College at Faisalabad holds classes in short courses for Assistant Registrars, Inspectors, Sub-Inspectors of the Cooperative Department, managers, accountants and account clerks of Cooperative Banks and managers of agricultural cooperatives. It also conducts inservice training of Cooperative field staff. Cooperative Training Colleges also exist in Sind and NWFP.

6. COOPERATIVE UNIONS

6.1 The Cooperative Unions do exist at Provincial and National levels. They should pay more attention towards training of their members.

6.2 This can greatly assist in the creation of favourable environment for cooperative growth.

6.3 The Philosophy of Cooperatives should be imparted as part of academic curricula at school and college levels. There should

be wide publicity of Cooperation through mass media. The Cooperative Union should work on the scripts of such publicity materials.

PUNJAB

S.NO	NAME OF THE PROJECT
1.	Development and Marketing of Sugarcane on Cooperative Basis in Faisalabad and Toba Tek Singh Districts.
2.	Strengthening of Cooperative Movement by Organizing Cooperative Supply and Marketing Federations in the Punjab.
3.	Establishment of Cooperative Training Centre, Rawalpindi.
4.	Sheep Shearing, Marketing and Supply of Sheep in Tribal Areas of Tuman Leghari and Tuman Buzdar in D.G. Khan District.

SIND

S.No.	NAME OF THE SCHEME	COST
1.	Cooperative Farm Service Centre Mirpurkhas and Jam Sahib.	Rs. 3.926 Million
2.	District Cooperative House at Sukkur.	Rs. 2.635 Million
3.	Research and Development of Cooperative Societies in Sind.	Rs. 3.761 Million
4.	Bhitshan Jandi Cooperative Workshop at Bhitshan Taluka Hala District, Hyderabad.	Rs. 2.302 Million
5.	Manchar Lake Fishermen Cooperative Society at Bubak Taluka Sehwan District Dadu.	Rs. 4.182 Million
6.	Cooperative Farm Service Centre Garhi Yasin District Shikarpur and Jacobabad.	Rs. 4.976 Million

7. ACHIEVEMENT/PROGRESS

7.1 176 Cooperative Societies of Sugarcane Growers were organised' registered. Four Sugarcane Federations were organized/registered at the headquarters of Sugar Mills at Faisalabad, Jaranwala, Summundri and Kamalia.

7.1.1 79849 tons of sugarcane supplied to the Sugar Mills.

7.2 27 Cooperative Supply and Marketing Federations at District Headquarters and one Provincial Cooperative Supply and Marketing Federation at Lahore were organized/registered.

7.3 These federations are now doing commercial business viz supply of fertilizer, seed, pesticides, and agricultural implements to the members/cooperative societies. The scheme has been completed.

7.4 183 Courses/classes with 2763 participants were held. The centre is imparting education and training in Cooperative Law and Principles.

7.5 42 Cooperative Societies of Sheep breeders, one Cooperative Wool Union with 782 members, share capital of Rs. 54190/- Working Capital of Rs. 5.33 lac were organized/registered. 3163 maunds of Wool were procured and marketed. Rs. 1.10 lac were earned as commission. The scheme has been completed.

ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES IN PAKISTAN

RIAZUDDIN AHMAD*

1. HISTORICAL BACKGROUND

1.1 The Cooperative Movement was formally introduced in the South Asian sub-continent by the Cooperative Credit Societies Act of 1904. The object was to provide loans to small farmers through their own local associations on relatively easy terms so as to free them from the clutches of the money-lenders and grain merchants. Cooperation was thus a government-sponsored activity in the sub-continent and the government created the necessary legal and administrative framework to encourage and regulate it. The law authorised the Provincial Governments to appoint Registrars of Cooperative Societies whose function was to register farmers' credit cooperatives and to supervise their working. No separate machinery was created to promote the cooperative ideology or to educate and train the members of cooperatives and it was assumed that this task would be handled by the department of cooperative societies headed by the Registrar.

1.2 The experience gained in the first eight years was encouraging and the Government of India decided to extend the scope of cooperative activity to other fields besides agricultural credit. Supply of seed, manure and agricultural implements and marketing of farm produce could also be done by cooperative societies. The cooperative technique could also be used by people living in urban areas for procuring loans for their production or consumption needs or for setting up provision stores or housing

*President, National Cooperative Union of Pakistan.

facilities needed by them. Besides, provision was to be made for the formation of federations of cooperative societies to facilitate the working of the primary societies by providing them financial and managerial assistance. Accordingly, the Cooperative Societies Act of 1912 was passed enlarging the scope of cooperative activity. This legislation resulted in the organisation of secondary cooperative federations for credit called central cooperative banks at the district level which banks, in turn, federated to form provincial cooperative banks at the tertiary level. Urban cooperative societies were also organised for credit, housing and distribution of consumer items of daily need. The object of the Act of 1912 as stated in the preamble was "further to facilitate the formation of cooperative societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means..." It gave powers to Provincial Governments to make rules to carry out the purposes of the Act including the settlement of disputes between members and their societies by arbitration.

1.3 Under the reforms of 1919, Cooperation became a provincial subject and some of the provinces proceeded to enact their own laws relating to cooperative societies. The Government of Bombay passed the Bombay Cooperative Societies Act of 1925 to replace the Central Act of 1912. Punjab, NWFP and Baluchistan, however, continued with the Act of 1912. Thus, at the time of Independence (1947) there were two laws operative in the areas now comprised in Pakistan. The province of Sind had the Bombay Cooperative Societies Act of 1925 by reason of its having been part of the Bombay Presidency before 1936, while in the rest of Pakistan the Act of 1912 continued to operate.

1.4 The two Acts were quite similar in their basic concept in that they were essentially regulatory instruments providing for the registration, audit, inspection and liquidation of cooperative societies with the Registrar as the central figure for performing these functions. The main point of difference was that the Bombay Act was more stringent as it enhanced the supervisory authority of the Registrar and gave him, inter alia, the power to impose penalties on managing committees and their individual members for mismanagement of business or defalcation.

1.5 During the period immediately following Independence there was a large-scale disruption of economic life, particularly in Punjab, due to the migration of non-Muslim industrialists, traders

and bankers and the government had to call upon the Cooperative Movement to fill the void created by the departure of the commercial community. As a result, the central cooperative banks started commercial loaning to individuals and many new cooperatives were organised to deal in foodgrains, distribute essential commodities and run abandoned industrial undertakings such as rice mills and cotton ginning factories. But while the Cooperative Movement played a useful role during the crisis, it lost its direction and became a hand-maiden of a new profit-seeking class of farmer-cum-traders who often got spurious cooperatives registered and did private business under the cooperative label. There were complaints of corrupt practices also and, as a result, the Movement suffered a serious set-back in its reputation. The Credit Enquiry Commission of 1959 recommended, among other things, that the Registrar's supervisory powers in the provinces of Punjab, NWFP and Baluchistan should also be strengthened. Accordingly, the Government of West Pakistan issued an Ordinance in April, 1965, extending the Sind (Bombay) Cooperative Societies Act of 1925 to the whole of West Pakistan and repealing the Act of 1912.

1.6 Thereafter, followed a series of laws mostly in the form of Governor's Ordinances and, later, in the form of Martial Law Regulations or Presidential Ordinances. The object of most of these laws was to cleanse the Cooperative Movement of corruption and exploitation but some of them did more harm than good. For instance, the abolition of all the central banks in Punjab in 1976 eliminated the entire secondary structure of the credit system. The secondary tier was, in a way, the backbone of the cooperative credit movement in Punjab represented by hundreds of middle level cooperative leaders and handling several million rupees of local deposits.

2. PRESENT STATUS OF COOPERATIVES

2.1 The Constitution of Pakistan does not mention the subject of Cooperation as such but cooperatives are included in the list of subjects to be dealt with by the Federal Ministry of Food, Agriculture and Cooperatives. There is a small cell in the Ministry headed by Adviser Cooperatives who works under the Secretary of the Ministry. The Adviser Cooperatives is also the Central Registrar of Cooperative Societies and is entrusted with the

supervision of cooperatives the area of operation of which extends beyond the limits of a province.

2.2 Pakistan has a federal Constitution and the subject of Cooperation falls under the legislative jurisdiction of the provincial governments. The federal government can, however, legislate on this subject with the prior concurrence of the provincial governments. There is no concurrent list in the Constitution. Cooperative development programmes are not discussed in the National Parliament.

3. NATIONAL POLICY STATEMENT

3.1 A National policy statement relating to cooperatives was made in the year 1962 by the government of President Mohammad Ayub Khan saying, inter alia, that "the present government is convinced that the Cooperative Movement which represents a system of economic democracy has a great potential as an instrument of national development and has, therefore, decided to give its full support and assistance to the organisation and development of cooperative societies in all fields of economic activity." Following this statement, there was an upsurge of cooperative activity for about two years but thereafter the federal government's interest in cooperative development declined and since then no policy declaration pledging support to cooperatives has been issued. The policy statement of 1962 is at Annexure I.

4. REPRESENTATION OF COOPERATIVES

4.1 Cooperatives are not represented either in the National Parliament or in the Provincial Assemblies or in the local bodies. They are also not represented in the Planning Commission of Pakistan or in provincial planning departments. For purposes of planning, cooperatives are recognised as a sub-sector of agriculture. Some allocation of funds is made for agricultural credit and marketing in the Five Year Plans but no innovative schemes for institutional development of the Cooperative Movement are included. Urban cooperatives such as those for housing or handicrafts or consumer stores are not taken into consideration. Cooperative leadership has not been able to build up the capability for making a national plan of its own. Plans for cooperative

development are considered to be the sole responsibility of the provincial departments of cooperative societies who represent the cause of cooperatives before the planning authorities.

5. GOVERNMENT OBJECTIVE OF COOPERATIVE DEVELOPMENT

5.1 There are no long-term government objectives for cooperative development. Except for the first two Five Year Plans (1955-1965), the economic planning documents do not recognise the potential of the Cooperative Movement as an effective instrument of economic and social development. Cooperatives are not treated as a distinct sector, nor as a potentially self-reliant and decentralised economic system. The planners and policy makers in the government do not have much faith in the Cooperative Movement and do not, therefore, set any objectives for cooperative development. Nor do the cooperatives have any coordinated thinking about their objectives. A vast majority of the 40,000 agricultural cooperatives are small, weak units living from hand-to-mouth and functioning under the direction of the field staff appointed by the government. It is the department of cooperative societies which formulates cooperative objectives in the form of development projects and submits them to the government for approval. Apart from the annual meetings of individual cooperatives, both primary and federal, there is no centralised system of cooperative planning. The National Cooperative Union is now trying to build up such a system by organising at least two national seminars a year at which policy questions are discussed and decided. The annual general meeting of the National Cooperative Union has become something in the nature of a general assembly which discusses important policy issues. This assembly is also attended by Registrars of Cooperative Societies and other government functionaries concerned with cooperative development.

6. GOVERNMENT SUPPORT FOR COOPERATIVE DEVELOPMENT

6.1 Government role is of crucial importance in the promotion of Cooperative Movement in developing countries. Ideally, the government's role in cooperative development should be that of a partner-in-progress. It should provide back-support to the self-help effort of persons of limited means by positive action in the form of legislative, administrative and financial measures.

6.2 Theoretically, this principle is acceptable to government

authorities in Pakistan but it is in the practical application of this principle that their performance has been much below expectations. Promotional programmes are launched, policies are made, targets are fixed, funds are allocated, educational and training facilities are provided, management assistance and guidance are given, and supervisory staff is employed. But the results are not visible. And this is because continued political commitment to cooperative development is lacking. The Credit Enquiry Commission of 1959 had observed that "just as this nation is committed to a democratic process suited to the genius of our people, there must be a similar commitment in favour of the Cooperative Movement for it is a Movement that builds men and communities and gives to small people a dignity and significance." The frequent break-downs in the democratic process have naturally affected the Cooperative Movement also as newly established democratic regimes have other pressing problems to attend to.

6.3 This is not to say that post-Independence governments in Pakistan have consistently ignored the case of cooperatives. On the contrary, the first two decades after 1947 represented a period of vigorous cooperative activity. In the period immediately following Independence the government leaned heavily on Cooperative Movement to fill the void created by the departure of the non-Muslim commercial community and gave very substantial administrative and financial support to all types of cooperatives. This support, however, tapered off as the economic situation stabilised by the year 1955. Nevertheless, during the next decade also the government continued to give considerable support to the Movement and took the following measures, among others:—

- (i) setting up of an autonomous Cooperative Development Board consisting of full-time government official and cooperative leaders (part-time) to formulate and implement policies and development projects;
- (ii) adopting a policy of giving subsidies to cooperatives and contributing to their share capital;
- (iii) establishing a development fund with compulsory contributions from all cooperative societies at the rate of ten per cent of their net profits for educational and promotional programmes;

- (iv) creating an educational cadre for training members and employees of cooperatives in the field;
- (v) giving preferential treatment to cooperatives in the matter of issuing permits and licences for setting up agricultural processing units and acquiring tractors and other machinery;
- (vi) allotting large tracts of State land in newly irrigated areas for cooperative settlement of landless farmers;
- (vii) giving a monopoly of distribution of chemical fertiliser to the newly set up Rural Supply Cooperative Corporation;
- (viii) allotting land in urban areas for cooperative housing and ancillary services; and
- (ix) appointing specially selected officers for planning and supervising cooperative development and sparing government officials for serving on deputation as managers of large federal cooperatives.

6.4 The present position is that some of the measures mentioned above are no longer in force. The Cooperative Development Board which had organised and led the development upsurge in early sixties was abolished in 1966 under pressure from vested interests. There is, however, a new development agency called the Federal Bank for Cooperatives which was created by the federal government in December 1976. This is a subsidiary of the State Bank of Pakistan with the federal government and provincial governments also as share-holders. Two of its major functions are:-

- (i) to finance and regulate the working of the provincial cooperative banks; and
- (ii) to promote cooperative development by establishing model projects and to assist the federal government and the provincial governments in the development and revitalisation of the Cooperative Movement.

6.5 The Federal Bank has considerable potential for cooperative development as its objects are well conceived and it has also

the power of the purse. It has, however, not been able to make the required impact and is presently in the process of reviewing its organisation and policies.

6.6 The government no longer gives direct subsidies to cooperatives, except a small amount to the National Cooperative Union. The provincial governments make contributions to the share capital of the provincial cooperative banks only and also stand guarantee for repayment of the amounts borrowed by them from the Federal Bank. There are no cases of joint government-cooperative enterprise or foreign collaboration for cooperative projects but such joint projects are permitted by policy. Preferential treatment to cooperatives in the matter of permits or licences or in the allotment of land is no longer available. Similarly, no special incentives are given to cooperatives, and local government funds are deposited only in the nationalised banks. The Federal Bank for Cooperatives gives modest grants and subsidies now and then for educational and extension programmes.

6.7 Cooperatives are exempted from payment of stamp duty and fees for registration of documents. Surplus resulting from business done with genuine members is also exempt from corporate tax. No other fiscal concessions are given.

6.8 Cooperatives are treated on a par with the private sector and receive no preferential treatment. In fact, the private sector has a distinct advantage where permits, licences and industrial loans are concerned as the applicants from that sector are usually persons with political or social influence. Prominent cooperative leaders would rather seek government favours for themselves than for cooperatives. The public sector being the government's own enterprise is, of course, entitled to special consideration and cooperatives cannot claim any comparison with them. In short, cooperatives rank No. 3 when compared with the private and the public sector.

6.9 There is practically no activity on the part of the government to build a climate conducive to cooperative development. Apart from the occasional lip-service that ministers and senior bureaucrats pay to the Cooperative Movement at official functions, nothing substantial such as issue of policy statements or promotional literature or use of the official media, viz., the Radio and

the T.V. to spread the message of Cooperation is done. Except for a major research study commissioned by the Federal Bank in 1982 nothing by way of evaluation of the Cooperative Movement or national level discussion of cooperative problems has been organised by the concerned authorities since 1963. No policies as such are formulated by the government for different sectors of cooperatives. Development projects are, however, prepared on an ad-hoc basis for the agricultural sector.

6.10 The Registrar of Cooperative Societies and his subordinates exercise considerable influence on the decisions taken by cooperatives. The fact that government officials have extensive powers of inquiry and inspection and also approve the credit limits of the borrowing cooperatives, leaves the managing committees no option but to comply with their instructions. Again, as the departmental officers are supposed to be responsible for recovery of loans they consider it safe to keep the management of cooperatives under their control. The decisions of general bodies or managing committees do not need approval but they are promptly rescinded if the Registrar so desires. There is no practice of nominating government directors in cooperative societies but in the case of some important federal societies the bye-laws provide for the Registrar to be the ex-officio president. For instance, in all the four provincial cooperative banks the Registrar is the president/chairman of the general body and the managing committee. Government officers are not normally seconded for service in cooperatives but there are some exceptions to this rule. No influence is exercised by the government on decisions of cooperatives through fiscal or pricing policies.

6.11 The working of cooperatives is strictly regulated by the government through the Registrar of Cooperative Societies. The cooperative law vests in the Registrar extensive powers of audit, inspection and inquiry and of prescribing procedures. He is also empowered to penalise delinquent directors.

6.12 Because of a phenomenal increase in the number of cooperatives in recent years it is no longer possible for audit and inspection to be regular or timely. To add to the problem, the field staff of the department is so pre-occupied with the distribution and recovery of ever-increasing agricultural credit that it has very little time for its normal audit and supervisory duties. This adversely affects the efficiency of primary cooperatives

and retards their growth. Federal cooperatives and large urban cooperatives such as finance corporations and housing societies get their audit done by private professional auditors. Normally, the Registrar's staff does not bother to inspect their affairs.

6.13 Audit is the responsibility of the government and not the cooperatives themselves. When private auditors are employed, the Registrar's approval is obtained.

6.14 The government is not involved in the selection and recruitment of officials of cooperatives except where the Registrar is the president of a cooperative.

6.15 The Registrar has the power to supersede the managing committee/board of directors of a cooperative after a formal inquiry. In the case of a provincial cooperative bank, however, the Registrar must obtain prior approval of the government for such action. The power of supersession is exercised only in rare cases.

7. SHARE OF COOPERATIVES

7.1 The share of cooperative business vis-a-vis national business is negligible except in the case of agricultural credit. Cooperatives supply 16% of the total agricultural credit and 24% of the short-term credit.

8. IMPACTS OF GOVERNMENT'S ROLE

8.1 The government's role in cooperative development has not had much positive impact for want of a carefully formulated policy of planned progress. Sporadic attempts to increase and diversify cooperative activity have only resulted in making the Cooperative Movement only a conglomeration of numerous weak and small units many of which exist on paper only.

8.2 The Registrars and their subordinate officials tend to emphasise quantity more than quality in their field work. There is not much evidence of an active participation of the people in cooperatives and many people regard them as part of the cooperative department performing certain routine duties under the direction of the field staff. Exploitation of the cooperative

label has become a common practice. Influential persons get "pocket societies" registered to obtain interest-free credit meant for subsistence farmers. Most rural cooperatives are neither autonomous, nor democratic, nor viable business entities.

8.3 The assessment of government's role in cooperative development has been made from time to time. The latest study was carried out in 1987 by the Foundation for Cooperative Research and Training and its report was submitted to the federal government in May, 1987. The findings of the research team were as under:-

1. That the cooperative legal framework based on the 1925 Act was out-dated because it was purely regulatory in nature and suffered from serious conceptual deficiencies. For instance:

(i) there was no provision in the law for a development planning mechanism;

(ii) there was an absence in the law of a logical structural pattern for cooperatives; and

(iii) the role of apex federations which should gradually take over the regulatory and developmental functions was not envisioned in the law.

2. That there was corruption and exploitation in the Cooperative Movement and that legislative measures were needed to ensure that only genuine cooperatives were registered and that only such persons were permitted to join cooperatives as genuinely needed their services or were sincerely inclined as social workers to serve the cause of the Cooperative Movement.

3. That the government machinery created for promotion and regulation of cooperatives had failed to accomplish its task and it was, therefore, necessary to re-organise and upgrade this machinery by associating with it cooperative leaders and planning experts so as to form a high-powered autonomous organisation capable of handling the dual function of regulation and developing planning.

4. That the education and training programmes were most

inadequate and there was need for a special fund to help apex cooperatives to run bigger and better educational programmes.

5. That there was need for a firm public commitment in the form of a formal declaration of policy by the government pledging support for cooperative development so that planners and policy-makers readjust their attitude to the Cooperative Movement accordingly.

9. COOPERATIVE LEGISLATION

9.1 There is a separate law for cooperatives in Pakistan. It applies to all types of cooperatives although special provisions are included for certain categories. The law does not give the definition of a cooperative society; nor does it incorporate the Cooperative Principles although its provisions generally conform to these principles.

9.2 There are only three basic preconditions for the registration of a cooperative society; one, that the society should have for its object "the promotion of the economic interests of its members in accordance with the cooperative principles;" two, that it should have "at least ten persons above the age of eighteen years" as its members; and three, that in the case of a credit society, the members should "reside in the same town or village or in the same group of villages."

9.3 The law envisages only a regulatory relationship between the government and the cooperatives. It does not contain any promotional provisions; nor does it provide for an institutional mechanism for planned development. There is nothing restrictive or retardatory in the law but it does not at the same time show the way to the development of the Cooperative Movement as an autonomous and logically patterned economic system.

9.4 In the year 1976, the government abolished all cooperative banks other than the provincial cooperative banks, thus eliminating the entire middle tier of district central cooperative banks. Earlier, in 1972, the government placed a ban on the registration of any new cooperative bank.

9.5 The cooperative as such is not consulted by the government

in formulating cooperative policies or making cooperative laws. There are no standing consultative committees or working groups to advise the government on cooperative policies or programmes.

9.6 The cooperative law does not bar an employee representative from getting elected as an office-bearer or director in a federal organisation but no case of an employee representative being elected in a federal body has come to notice.

9.7 There are no qualifications provided in the law for the eligibility of a member being appointed or elected as an office-bearer or director.

9.8 The responsibility for conducting elections vests in the general body of a cooperative. The Registrar of Cooperatives is, however, authorised to direct a cooperative to call a meeting of its general body for holding elections if they are overdue.

9.9 Generally speaking, all cooperatives have a built-in system of democratic management in that powers of management vest in a managing committee elected by the general body.

9.10 The chief executive/managing director is a member of the board of directors if he is an elected non-official. If, however, he is a paid officer he does not have the right of vote. There is nothing in the law on this point but this is the normal practice.

9.11 The law does not provide for paid presidents or chairman of cooperatives whether full-time or part-time.

9.12 There is no provision for two offices viz, (i) chairman and (ii) president. Normally, the term president or chairman is used for the presiding officer of both the general body and the managing committee.

9.13 There was no restriction till 1972 on the number of terms for which an elected officer could hold his office. In that year the law was amended to restrict the period for which a person could hold the office of a director in a federal cooperative. At present no person can be a director in a federal cooperative for more than six years consecutively. The amendment has made difference to the situation as the retiring members get their close relatives or friends elected as their successors who vacate

their seats when the original incumbents are again eligible to occupy them after a break of two years.

9.14 The law does not confer any responsibilities or powers on national or regional bodies of cooperatives as it does not clearly envision the existence of such federations.

9.15 The law does not provide any conditions for continuance or otherwise of membership in a cooperative in case a member does not make use of its services. This is the main reason for the largely spurious leadership of the Movement which, at the higher levels, consists mostly of politically-motivated absentee landlords or businessmen.

9.16 The law does not lay down any code of conduct for the office-bearers or members of management boards. Nor does the law direct the cooperatives to formulate a code of conduct for themselves.

9.17 There is no procedure prescribed in the law either for the selection and appointment of employees or for election of officers including directors. It, however, does provide for the accountability of such office-bearers, and empowers the Registrar to take punitive action against the delinquent among them.

10. COOPERATIVES, POLITICAL PARTIES AND ELECTIONS

10.1 Cooperatives as such do not involve themselves in national or local political elections or owe loyalty to any parties. Individual members are free to support the political parties of their choice. Urban-based cooperative finance corporations sometimes use their funds and transport in support of political parties with which their presidents/chairmen are aligned. The election manifestos of some of the political parties do mention cooperatives as part of their programmes but no prominence is given to this item in their political speeches and statements.

10.2 Political parties in power do not particularly use cooperatives for political benefits for themselves. The writing off of big industrial loans is more advantageous than the small cooperative loans. The Agricultural Development Bank which gives big loans for agricultural development and processing industries comes under greater pressure in this respect. There are no nominations

of non-officials on boards of directors of cooperatives and supersession of elected boards is rare. Political interference in the registration and working of cooperative societies is, no doubt, a serious problem but this happens more on individual and personal basis than as part of party policies. The law is silent on the subject of politicisation of cooperatives.

11. EDUCATION AND TRAINING

11.1 Education and training is part of government policy for cooperative development. All educational programmes in the provinces are run directly by the Registrars of Cooperative Societies. There are three cooperative colleges and five training institutes in the country. There is also a National Cooperative Training Centre at Islamabad established and run by the Federal Bank for Cooperatives.

11.2 All educational institutions in the provinces are primarily meant for government employees working in the cooperative department. They are mostly used for training fresh recruits but refresher courses are also held occasionally. The NCTC at Islamabad mainly holds refresher courses for senior employees of provincial cooperative banks and cooperative departments.

12. ROLE OF THE CENTRAL BANK OF THE COUNTRY

12.1 The State Bank of Pakistan is the principal source of finance for the Cooperative Movement. It provides funds primarily for agricultural credit to the provincial cooperative banks which, in turn, finance their member societies. As the provincial cooperative banks have very small funds of their own they depend almost entirely on the State Bank for their needs of credit and a crisis develops if the arrival of funds is delayed. The provincial cooperative bank of Punjab is in a slightly better position than the other banks.

12.2 The State Bank has been traditionally interested in the development of agricultural cooperatives. It used to deal directly with the provincial cooperative banks but now it channels funds to them through the Federal Bank for Cooperatives. The Federal Bank functions as an agent of the State Bank in all matters relating to cooperative finance and exercises extensive supervisory powers over the provincial cooperative banks. One of its major

functions is to promote cooperative development for which purpose it carries out research, runs training programmes and gives grants for cooperative development projects. The board of directors of the State Bank is also the management board of the Federal Bank with some additional members nominated by the government. The State Bank thus plays a more expanded role vis-a-vis cooperatives than before.

12.3 The Federal Bank for Cooperatives is the only parastatal body outside the cooperative law which concerns itself with cooperative development. With a little reorganisation and reorientation of its policy it can play a very important role in the promotion and strengthening of the Cooperative Movement.

13. PROTECTION OF COOPERATIVE CHARACTER/VALUES

13.1 Protection of the ideological character and values of cooperatives is at present the most important problem of Pakistan's Cooperative Movement. No mechanism has yet been devised to protect and preserve the character of cooperatives. The present cooperative law does not help in the matter. The Registrar and his subordinate officials are not always fully conversant with cooperative philosophy and, in any case, find it difficult to resist the political pressures, sometimes from Ministers of Cooperation themselves, for deviation from cooperative values of autonomy and democratic management.

13.1 There is an urgent need for taking legislative and administrative measures for protecting the character and values of cooperatives. Such measures should include the following, among others:-

- (i) exclusion of politically-motivated and non-genuine members from cooperatives;
- (ii) constitution of high level national and provincial cooperative policy councils which include eminent cooperative experts;
- (iii) association of cooperative leadership with the regulatory machinery of government; and
- (iv) induction of dedicated social workers into the Movement.

14: CONCLUSION

To conclude, the governments of developing countries where Cooperation is a government-sponsored activity should do all they can to promote, guide and strengthen the Cooperative Movement. In Pakistan, all is not well with the Cooperative Movement and as the Movement aims at the economic and social uplift of the under-privileged who form a vast majority of the population, government must take all the steps suggested in section 10 of the questionnaire to make cooperatives viable, autonomous, self-propelling and democratically-managed business entities as an essential part of its drive for national development.

**COOPERATIVE POLICY DECLARATION
OF
GOVERNMENT OF PAKISTAN
1962**

A large majority of the people of Pakistan are men of small means and live in poverty and ignorance. Most of them are farmers, workers and craftsmen with very little or no resources. They have no competitive power and are, therefore, unable to safeguard their interests and improve their lot by their own individual effort.

In the past Agriculture has not received the attention that it deserves. The small peasant and agricultural labourer who constitute 80 per cent of our people still eke out a precarious existence through their old traditional and ineffective methods of cultivation. Agriculture is the basic industry of the nation and there can be no development of the economy as a whole unless there is a substantial increase in agricultural production.

Besides, in a developing country like Pakistan where there is free individual enterprise, there will always be a danger of concentration of economic power and the fruits of development are likely to be confined to a small group of men who own big industrial and commercial enterprises. Government has, therefore, to tackle the two-fold problem of combining rapid economic development with social justice with a view to establishing a higher and more equitable social order.

Government has carefully considered the ways and means of achieving this two-fold object and has come to the conclusion that cooperative organisation will be the most effective instrument of accelerating economic development and the principal means

of promoting social justice. The small man must be helped to overcome his weakness and isolation by joining hands with other persons of limited means. He must be raised in the social scale and transformed into a free, respectable and self-reliant citizen. The vast resources of human labour and finance which lie scattered in the country should be organised on cooperative basis and small producers of all types—farmers, workers and craftsmen—should be encouraged to form cooperative associations in a spirit of self-help and mutual aid so that they can contribute their highest potential to the economic and social life of the country.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN THE PHILIPPINES

CLEMENTE E. TERSO, JR.

1. THE 1973 COOPERATIVE DEVELOPMENT PROGRAMME

1.1 The early 1970's saw the unfolding of significant events in Philippine history. Martial Law was declared in September, 1972, automatically abolishing the legislature and consolidating the legislative and executive powers in the President of the Philippines.

1.2 Government reorganization followed immediately. Among others, the Department of Local Government and Community Development (DLGCD) was created and under it a Bureau of Cooperatives Development (BCOD) to promote and develop cooperatives in the country.

1.3 In October, 1972, the basic agrarian reform law, Presidential Decree 27, was issued, distributing rice and corn lands to the actual tillers. To be entitled to certificates of land transfer, agrarian reform beneficiaries were required to be members of cooperatives which would guarantee payment of their loan amortizations.

1.4 As a companion measure to agrarian reform, Presidential Decree 175, Strengthening the Cooperatives Movement, was issued. This decree became the basic cooperative law, and declared the policy of the state on cooperative development: "To foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income

¹ Director, Bureau of Agricultural Cooperatives Development, Department of Agriculture

sector of the population in order to attain a more equitable distribution of income and wealth."

2. ROLE OF ORGANIZATION

2.1 A national programme for cooperatives development was drawn up, with major bias on the agricultural sector. Village associations called "Samahang Nayan" were organized as pre-cooperatives. Organization was implemented solely by government, including the pre-membership training. Additional trainings on technical agriculture and elementary management were also conducted by government personnel.

2.2 By 1980, 18,000 Samahang Nayan were organized and registered with a total membership of 1 million, some 100 million were accumulated by the SN members through a planned savings programme.

2.3 In the Samahang Nayan, the importance of continuous education, savings and discipline was emphasized, to prepare the members to further organize their marketing arm and financial arm. Utilizing their accumulated savings, the SN's put up their provincial marketing federation called "Area Marketing Cooperative" and their provincial financing federation called "Cooperative Rural Bank." Thus was established a provincial cooperative system.

2.4 Several national organizations were later organized, with the Samahang Nayan as base, directly or indirectly. Directly, an example is the Cooperative Insurance System of the Philippines (CISP), where the SN directly contributed to its capitalization. Indirectly, two examples are cited and these are the Cooperative Marketing System of the Philippines (the national marketing federation) whose direct members are area marketing cooperatives and the BANGKOOP, a national association of cooperative rural banks.

2.5 In the non-agricultural cooperatives sector which is mainly composed of (but not limited to) credit unions and consumer cooperatives, government assistance in promotion, organization and financing was minimal. This is a sector which had long been entrenched before the new cooperative programmes of 1973 was launched.

2.6 This non-agricultural sector and the agricultural sector described earlier finally formed their national umbrella organization in 1980. As mandated by law, this is called the Cooperative Union of the Philippines.

3. ROLE IN FINANCING

3.1 Presidential Decree No. 175 created a Cooperative Development Loan Fund (CDLF) as source of loanable funds to cooperatives and/or serve as guarantee for loans granted to cooperatives. Source of this fund was mainly from the government.

As of April 30, 1988, some P 180 million have been loaned out to 441 cooperatives, including some SNs.

3.2 Whenever a cooperative rural bank is established, the government gives a counterpart of 100% of its equity. In addition, the Land Bank of the Philippines has bolstered the capital base of 29 cooperative rural banks by investing by way of preferred shares the amount of P 1 million in each CRB.

3.3 The Cooperative Marketing Project (CMP), a joint project of the Philippine and United States governments, supports the financial needs of some marketing cooperatives and Samahang Nayan. A total of P 56.6 million have been loaned out to 39 cooperatives including SNs as of April 30, 1987.

4. MANAGEMENT AND TRAINING ASSISTANCE PROGRAMME (MTAP)

4.1 The law (P.D. No. 175) also established the Management and Training Assistance Program which gives initial management expertise to some cooperatives financed by the CDLF. It also gives training assistance to management staff of some cooperatives. All this is fully funded by government.

5. NEW DEVELOPMENTS

5.1 The February 1986 People's Revolution ushered in new events which would undoubtedly alter the course of cooperative direction and approaches in the country.

5.2 The Philippine Constitution of 1987 mandates the establishment of an agency to promote and enhance the viability and growth of cooperatives as instruments of social justice and economic development.

5.3 The current on-going reorganization of government has converted the Bureau of Cooperatives Development into the Bureau of Agricultural Cooperatives Development (BACOD), a staff bureau with no field manpower network.

5.4 Field in the legislature (Senate and House of Representatives) are bills creating a Cooperative Development Authority (CDA), the agency alluded to in the Constitution.

5.5 In the meantime that the Cooperative Development Authority bill is not yet passed in Congress, the BACOD will still be the mainstay in the promotion and development of cooperatives. However, with the limited manpower capabilities of the Bureau, new strategies are being implemented such as the utilization of non-government organizations and private voluntary organizations as well as the Cooperative Movement itself as partners of government in cooperative development.

5.6 Strengthening the grass-roots primary cooperatives is a priority agenda of the BACOD. Coming close on the heels of such program is management development and financing programs for secondary marketing cooperatives and cooperative banks. An inevitable growth direction is the establishment of regional marketing and financing structures, until they cultivate in the formation of apex marketing and financing institutions.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN PHILIPPINES

ARCADIO S. LOZADA*

1. INTRODUCTION

1.1 First, let me express the appreciation of the Cooperative Movement of the Philippines as well as my own for the opportunity given us to participate in the Regional Consultation on the Role of Government in Promoting Cooperative Development in Philippines.

1.2 Second, this Regional Consultation is most timely, especially in the case of the Philippine Cooperative Movement, because of changed circumstances.

1.3 Thirdly, the role of government in promoting cooperative will be presented in the light of the Philippine experience.

2. ATTEMPTS ON COOPERATIVE DEVELOPMENT:

2.1 There were early attempts by government on cooperative development.

A. As early as 1916, the government enacted the Rural Credit Cooperative Association Act. The promotion and organization of these cooperatives were entrusted to the Bureau of Agriculture.

B. The Cooperative Marketing Law followed in 1927 and deals with agricultural marketing cooperatives. The Bureau of Commerce was the government agency entrusted for the promotion, organization and supervision of these cooperatives.

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Limited financing were made available to these cooperatives.

The Bureau of Commerce started the promotion and organization of consumers cooperatives.

C. In 1940, a General Basic Cooperative Law was enacted which authorized the organization of all types of cooperatives. It established a National Cooperative Fund and the government agency responsible for the promotion, organization and supervision was the National Trading Corporation. The functions were later transferred to the National Cooperative Administration.

2.2 Efforts on cooperative development were interrupted by World War II. Records were destroyed.

2.3 Please note the shifting of responsibility from one government agency to another.

3. CONTINUING EFFORTS DURING THE 50s TO 70s

A. In 1952, Republic Act, 821 otherwise known as the Agricultural Credit and Cooperative Financing Act was enacted and established the Agricultural Credit and Cooperative Financing Administration, a government agency responsible for the promotion, organization, financing and supervision of Farmers Cooperative Marketing Associations (FACOMAs). By 1968, the FACOMAs were failing.

B. The Philippine Non-Agricultural Cooperatives Act (Republic Act 2023) was enacted and this governed all types of non-agricultural cooperatives. The government agency responsible for the promotion, organization and supervision of cooperatives under this law was the Cooperative Administration Office.

C. In 1960, the Electrification Administration Act was enacted. The Electrification Administration was created to promote the electric consumers cooperatives.

3.1 During these years, various types of cooperatives were organized including their federations.

3.2 It is clear from the narration above that the Movement was

being fragmented. Also, the shift of responsibility from one government to another left much to be desired.

3.3 By this time, the organized federations/unions were drafting for:

- i. less government interference;
- ii. a unified state policy on cooperative development;
- iii. inclusion of cooperatives in the country's national economic development plans.

3.4 Clearly, the cooperatives, through their leadership, were looking towards a better future for their members. They were looking for larger participation in government plans.

4. THE YEARS 1972–1985

4.1 Presidential Decree No.1 created the Department of Local Government and Community Development (DLGCD) as well as the Bureau of Cooperatives Development (BCOD) and abolished the Cooperatives Administration Office and transferred its functions to the BCOD.

4.2 The BCOD was later transferred to the Department of Agriculture.

4.3 On April 14, 1973 Presidential Decree No.175 entitled "Strengthening the Cooperative Movement" was issued. One of its significant features was that the BCOD was the *single agency* responsible for the promotion, organization and supervision of all types of cooperatives.

4.3.1 Other important provisions were the creation of the 17 Cooperative Development Loan Fund (CDLF) and 21 Management and Training Assistance Programme (MTAP).

4.3.2 Also included were the basic cooperative principles of open membership, democratic control, limited interest on capital and patronage refund.

Tax breaks were also provided for.

This decree also repealed all other cooperative laws.

4.4 The single agency approach was not to last long. Later in 1973, Presidential Decree No. 269 was issued. The National

Electrification Administration was given the responsibility to organize, register, supervise and finance electric cooperatives.

4.5 Also in 1975, Presidential Decree No. 775 was issued placing sugar planters/producers cooperatives under the Philippine Sugar Commission, a government agency, now the Sugar Regulatory Administration.

4.6 Further, Executive Order No. 898 was issued and placed under another government agency. Office of Transport Cooperatives under the Department of Transportation and Communication.

4.7 We now have four government agencies administering four different laws dealing with cooperatives. The laws allow these agencies to appoint members of the board as well as managers.

4.8 Because of these, government appointed members of the board as well as managers began to vitiate the autonomy and independence of cooperatives.

4.9 In the meantime the Cooperative Union of the Philippines (CUP), Federation of Electric Cooperatives (FECOPHIL) Sugar Cooperatives Development Institute of the Philippines (SCDIP) Cooperative Foundation of the Philippines (CFPI) came into being. These formed a loose alliance called the Supreme Cooperative Council of the Philippines (SCCP) to work for the common good of the Cooperative Movement.

5. COOPERATIVES IN THE NEW CONSTITUTION

5.1 In June 1986, the First National Cooperative Congress was held on the behest of the SCCP. It also called for:

- (i) inclusion of cooperatives in the Constitution;
- (ii) rationalization of government agencies dealing with cooperatives; and
- (iii). rationalization/codification of cooperative laws.

5.2 Through continuous efforts of the Movement, cooperatives are now included in the language of the Constitution foremost of which is Section 15 of Article XII which states that "the Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development."

5.3 The Movement felt much rewarded by the inclusion of cooperatives in the Constitution.

5.4 After the *elections* for Senators and Congressmen in May 1987 the Cooperative Movement set-up a Multi-Sectoral Committee set-on Cooperative Legislation. This Committee set-up a Sub-Committee on Drafting Legislation with the Mother Committee as the Committee on Legislative Relations.

5.4.1 The results are like this:

- i. House Bill No. 325 already filed for the creation of Cooperative Development Authority;
- ii. House Bill No. 4065 already filed for the Cooperative Code;
- iii. Senate Bill No. 159 already filed for the creation of the Cooperative Development Authority; and
- iv. Senate Bill No. 210 already filed for the Cooperative Code.

5.4.2 These bills were filed after a series of workshops, seminars/conferences with cooperative leaders.

5.5 The Philippine Cooperative Movement is working hard for the enactment of these bills into law.

6. ROLE OF GOVERNMENT

6.1 Based on Philippine experience the perceived role of government would be as follows:

- i. enactment of appropriate cooperative legislation with strong participation by the Movement;
- ii. creation of a Cooperative Development Authority;
- iii. inclusion of cooperatives in national economic development plans;
- iv. assistance in the education and training;
- v. financial assistance; and
- vi. assistance in terms of supervision and audit.

6.2 The above listing is neither exclusive nor exhaustive.

i. Cooperative Legislation

As things stand to-day, there are at least four major

legislations dealing with cooperatives. The ideal is to have only one legislation dealing with cooperatives. Such legislation must recognize the true nature of cooperatives, separate and distinct from other entities. A cooperative legislation must be self-executory and leave little for the government to issue regulations. Participation by the Movement must be sought and encouraged by the government in adopting legislation or regulation. The character of the cooperative, specially its autonomy and independence must be safeguarded by the legislation.

ii. Creation of a Cooperative Development Authority

The Philippine Cooperative Movement envisions a Cooperative Development Authority (CDA) in lieu of the four agencies now handling cooperatives. The following functions are proposed:

1. Registration;
2. With the Movement, development of policy initiatives;
3. If necessary, the issuance of regulations but with the participation of the Movement; and
4. Assistance when requested by the Movement.

The Movement is careful. It is not going to be a party in the creation of monster.

iii. Inclusion of Cooperatives in National Economic Development Plans.

This is an aspect where our Cooperative Movement must work very hard. Continuous effort must be directed also to this direction. National development plans must include the development of cooperatives without vitiating the true nature of cooperatives.

iv. Assistance in Education and Training

At the stage, the Movement is already heavily engaged in continuing cooperative education and training. This is one area where the government can still assist but should eventually let go in favour of Movement when the latter shows it has the capability for it.

The inclusion of cooperatives in the curricula of schools is another area where government can be of assistance.

v. Financial Assistance

This type of assistance may take many forms.

1. **Tax Breaks** - Government may assist promote the viability of cooperatives through tax breaks. Care should be exercised that tax breaks are enjoyed only by those intended to benefit from these breaks.

2. *Loans and Guarantees*: Again, government, upon request may grant loans and guarantees to cooperatives, provided that the true character of the cooperatives is maintained.

While after forms of financial assistance may be requested by cooperatives, the self-reliant character of cooperatives must be preserved.

Further, a cooperative financing system owned, managed and patronized by cooperatives must be an eventual goal of the Movement. This will remove so much uncertainty in cooperative financing.

vi. Assistance in Terms of Supervision and Audit

Until such as the Movement can police itself, the Movement will have to call on the CDA for assistance in terms of supervision and audit.

Already, the Movement has in place the Integrated National Cooperative Audit System (INCAS). The INCAS is continually being strengthened. It is the desire of the Movement to inspire the confidence of the members and the general public in the total integrity of cooperatives.

7. CONCLUDING STATEMENT

7.1 The Philippine Cooperative Movement is confident of continued growth and development given the present climate. It is the desire of the Movement to contribute to national development in a meaningful manner. The present climate gives the Movement

a golden opportunity to be real vehicle for social justice and economic development.

7.2 The challenge is there. The opportunity is there. The commitment, the sincerity and the will is there.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN ASIA—PHILIPPINES

JUDGE MANUEL F VERZOSA*

1. FOREWARD

1.1 This paper reflects the collective thinking and experience of the intellectual and popular leadership of the Cooperative Movement in the Philippines over a period of eighteen years, as seen through the eyes of this Author who has been a member of the *private cooperative sector*. In this light, this paper expresses the dreams and aspirations of cooperatives and their desire for government facilitation in realising those goals.

1.2 In 1970, the leadership of the Movement proposed to the 7th Congress a comprehensive legislative measure providing for a general organic law for cooperative and creating a *Cooperative Development Authority* (CDA) and defining the government's role in cooperative development. The measure was filed as Senate Bill No. 434 and House Bill No. 886.

1.3 The House of Representatives Passed H.B. No. 886 as H. No. 3501. The Senate was in the process of passing S.No. 434 on third reading when Martial Law was proclaimed thereby cutting short the legislative efforts of the Cooperative Movement for the enactment of the aforesaid measure.

1.4 Some time in March 1986, after the February Revolution, the Cooperative Union of the Philippines, Inc. (CUP) of which this Author was then Secretary-General, spearheaded the revival of the aforesaid measure. Under its policy initiatives program,

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the CUP divided the proposed measure into two, to wit: (i) the proposed CDA bill which solely concerns government agencies and programs on cooperatives; and (ii) the proposed cooperative code bill which solely concerns cooperatives and their terms of reference (organization, registration, administration and management, financing and dissolution). In addition, the CUP spearheaded the drive to *enshrine cooperatives in the Constitution, which succeeded*.

1.5 Upon inclusion of cooperatives in the Constitution, the CUP worked for the Movement's support for the above-mentioned proposed measures culminating in the endorsement thereof by the intellectual and popular leadership of the Movement at the *National Workshop for Cooperative Legislation* held at the TUCP Training Centre, Diliman, Quezon City, Philippines on November 7-8, 1987, jointly sponsored by the CUP and the Bureau of Agricultural Cooperative Development of the Department of Agriculture. The CDA proposal has been filed by Senator Heherson Alvarez as Senate Bill No. 159 in the Senate; and by Congressman Pedro Romualdo as House Bill No. 325 in the House of Representatives. The Cooperative Code proposal was filed in the Senate by Senator Agapito Aquino as Senate Bill No 210; and in the House of Representatives by Congressman Pedro Romualdo as House Bill No. 4065.

1.6 Considering the Constitutional Mandate and the positive reception of the government, both measures will likely be enacted into law.

2. INTRODUCTION

2.1 The Cooperative Movement, as a formal vehicle by which the people may improve their welfare arrived in the Philippines at the beginning of the American regime. It played a part in the missionary activities of civic and religious groups and programs of government agencies designed to help the people especially in the rural areas.

2.2 On April 1, 1906, the government enacted Public Act No. 1459, otherwise known as the Corporation Law, providing the legal authority under which the people may organize any type of corporation that would engage in economic or non-economic

activities. This law underwent countless amendments culminating in its revision into what is now known as the "Corporation Code".

2.3 The people organized and registered their cooperatives under the Corporation Law, and even until now under the Corporation Code, as the provisions of said law cover such a broad range that they encompass cooperatives.

3. EARLY SPONSORSHIP OF THE MOVEMENT

3.1 The Movement did not begin spontaneously. Originally, the Movement enjoyed the sponsorship of private Filipino and foreign individuals who had gained knowledge of, and exposure to, cooperatives abroad and who sought to share the benefits of the idea with the people by organizing cooperatives among them. Unfortunately, however, the sketchy primary data available on the subject have already been lost or destroyed during World War II.

3.3 The civic and religious groups sponsored the Movement apparently for the reason that cooperatives constitute the most pragmatic and practical expression of their philosophies and beliefs. They correctly perceived cooperatives as effective institutional agencies in attaining their civic or religious objectives, as the case may be, with active popular participation at the least possible cost.

3.4 Along the same line, the government also sponsored the Movement as a means of *helping deliver government services and assistance to the people* while, at the same time, enabling them to improve their welfare through their own initiatives and resources. Thus, the government enacted two (2) special laws which ushered in a strong government sponsorship of the Movement in the fields of agricultural credit and agricultural marketing. These are:

(1) Agricultural Credit Association Act (Act No. 2508)

This law enabled the creation of agricultural credit associations and provided for their regulation. It required these associations to register under the Corporation Law. These Associations had for their purposes the accumulation of funds by means of cooperation in order to extend credit on reasonable terms for exclusively agricultural operations, and the encouragement of

thrift activity and punctuality among members. The law tasked the Director of Commerce at the time in charge of its implementation. The said law took effect on February 5, 1915 and remained effective until repealed in 1957 by the Philippine Non-Agricultural Cooperative Act (R.A. No. 2023 as amended).

(2) Cooperative Marketing Law (Act No. 3425).

This law provided for the organization of farmers' cooperative marketing associations (FACOMAS) and their registration under the Corporation Law. It set forth the terms of reference for the organization, management, and operation of such associations, and tasked the Director, Commerce and Industry, with the implementation of the law. Said law took effect on December 9, 1927, and remained effective until repealed on April 14, 1973, by P.D. No. 175, as amended.

By virtue of the basic laws mentioned above, the main reasons for the government sponsorship of the Movement may be identified as follows:

- *Corporation Law*—general economic and social development;
- *Agricultural Credit Associations Act*—extension of agricultural credit;
- *Cooperative Marketing Law*—marketing of agricultural products and farm supply distribution.

4. GROWTH AND EXPANSION

4.1 Originally, under the Corporation Law, there was no government sponsorship of the Movement. Cooperatives were, registered under the Corporation Law to enable the people to organize themselves for economic and social objectives. Only the interested private civic and religious groups sponsored cooperatives and the few early cooperatives were of the credit type organized both in the rural and urban settings.

4.2 Government sponsorship of the Movement was initiated in the agricultural credit and marketing sectors of the economy. The expanding activities of cooperatives which were then growing in number and resources rendered the Corporation Law inadequate to meet the increasing special demands of

Cooperatives. Thus, on June 7, 1940, the government enacted Commonwealth Act No. 565 (Genekral Basic Cooperative Law) as the organic law for all types of cooperatives. During the last war (1941-1945) the Japanese Military Administration organized an estimated 5,000 cooperatives to serve as distribution outlets for consumer goods and as means of promoting neighbourhood food production, but all of these cooperatives were destroyed during the war of liberation. During the post-war period (1945-1950), the government organized 1,500 cooperatives to distribute relief goods but they all collapsed when the government relief program ended.

4.3 As part of its reconstruction and rehabilitation program, the government enacted on August 14, 1952, Republic Act No. 821 (Agricultural Credit and Cooperative Financing Act) to provide agricultural credit to farmers and their marketing cooperatives (FACOMAS). Complementarily, the government enacted R.A. No. 2023 (Philippine Non-Agricultural Cooperative Act) to help the people develop their enterprises on a cooperative basis authorizing the organization of a cooperative banking system and a cooperative wholesale system. Various other laws were later on enacted to involve cooperatives in government programs and the significant ones are as follows:

1. R.A. No. 3844 (Land Reform Code)—Land Reform Program;
2. R.A. No. 6038 (National Electrification Administration Act)—Rural Electrification Program;
3. R.A. No. 3470 (National Cottage Industry Development Act)—Cottage Industry Development Program.

4.4 The advent of Martial Law brought many changes on the cooperative laws and the foregoing ones. In addition, new ones were enacted as the government looked upon cooperatives as instruments to increase incomes and purchasing power of the low-income sector and promote a more equitable distribution of wealth.

4.5 Today, the cooperatives in the Philippines have diversified into the following fields:

- (1) Credit;
- (2) Cooperative rural banking;
- (3) Marketing and Supply (agricultural and industrial);

- (4) Consumer;
- (5) Producer (agricultural and industrial);
- (6) Service
 - (a) Life and non-life insurance;
 - (b) Electrification;
 - (c) Transportation (public utilities);
 - (d) Technical Service (management, education) training and research, audit legal, and technology transfer);
 - (e) Housing;
 - (f) Waterworks systems;
 - (g) Other services; and,
- (7) Multipurpose Cooperatives.

Official Reservations

4.6 So far, there has not been any official reservations in the development of cooperatives. No areas were reserved for, nor from, them. Neither are there any withholding of powers or functions from them. They have the same right, functions and powers; and obligations, responsibilities and duties as the private corporations, partnerships, single proprietorships, and other businesses *vis-a-vis* the government and the public.

5. STATUS OF PUBLIC POLICY ON COOPERATIVES

5.1 Constitutional Recognition

5.1.1 The 1986 Constitution of the Philippines recognizes cooperatives in various provisions thereof. The main or principal provision is that one contained in Article XII Section 15 which is hereunder quoted:

“The Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development.”

5.2 Agency in Charge.

There exists no government agency solely and specifically for cooperatives. At present, several government agencies have

charge of cooperative development activities under various programs, and they are the following:

(1) Department of Agriculture

Presidential Decree No. 175, as amended, Executive Order No. 595, s. 1980, and Executive Order No. 116 s. 1986 vest the Department of Agriculture with the power to promote, organize, register, regulate, and supervise all cooperatives except electric, transport and sugar cooperatives, and all cooperatives in the autonomous regions of Regions IX and XII.

Under P.D. No. 175, as amended¹, the following agencies have the following functions:

(a) Bureau of Cooperatives Development (BCOD)

A staff and line bureau, the BCOD deals with plans and programs on cooperatives development; registration and supervision of particular types/levels of cooperatives and some other functions relevant to agricultural development.

Under Executive Order No. 116 dated January 30, 1987, reorganized the BCOD into the Bureau of Agricultural Cooperatives Development (BCOD) with the functions of formulating integrated systems for developing and evaluating agricultural cooperatives; provide advice and assistance in the establishment of cooperatives in rural communities; and evolving a program to promote the economic viability of agricultural cooperatives.

(b) Bureau of Fisheries and Aquatic Resources (BFAR), Department of Agriculture.

The BFAR under the Department of Agriculture also promotes Fishermen's Associations and Cooperatives under the Fishery Industry Development Act (P.D. No. 704, as amended) and other laws.

(c) Cooperative Development Loan Fund (CDLF).

As designed, this agency provides developmental loans to cooperatives registered under P.D. No. 175, as amended. However, Executive Order No. 113, dated December 24, 1986 abolished 1. This law which took effect on April 14, 1973, repealed all cooperative laws then existing

and integrated the CDLF into the Comprehensive Agricultural Loan Fund (CALF) under the Department of Agriculture.

(d) Management and Training Assistance Program (MTAP)

This agency aims to develop a pool of top calibre managers who may be assigned to actively manage a cooperative or cooperatives for the prime purpose of training an understudy or understudies to assume management thereafter.

(e) Regional Cooperative Development Assistance Office (RCDAO)

By executive fiat, the government created an RCDAO for Region IX, and another one for Region XII. The RCDAO in both regions take charge of the promotion, organization, registration, regulation and supervision of cooperatives governed by P.D. No. 175, as amended, under the general policy direction of Department of Agriculture.

(2) Central Bank of the Philippines

The Central Bank approves the registration and licensing of Cooperative Rural Banks and Cooperative Banks; and exercises supervision over the banking activities of such banks under the provision of P.D. No 175, as amended by P.D. No. 2008, the Central Bank Act (R.A. No. 720, as amended), and the General Banking Act (R.A. No. 337, as amended).

(3) National Electrification Administration (NES)

The NEA is charged with the function of electrification of the country preferentially through electric cooperatives. As such, it takes charge of the promotion, organization, registration, supervision, development and financing of electric cooperatives.

(4) Office of Transportation Cooperatives (OTC) Department Transportation and Communications (DOTC)

The Committee on Transportation Cooperatives created under Memorandum Order No. 395, dated October, 19, 1973, renamed Office of Transportation Cooperatives, exercises the powers and functions of promoting, organizing, registering and supervising cooperatives in accordance with P.D. No. 175, as amended.

(5) Sugar Regulatory Administration (SRA)

The SRA is created under Executive Order No. 18, dated May 28, 1986 to replace the Philippine Sugar Commission (Philsucom) which was abolished. The SRA abolished the powers and functions of the Philsucom including the promotion, organization and supervision of sugar cooperatives.

(6) Department of Education, Culture and Sports (DECS)

The DECS encourages the teaching of cooperatives in the school system from the grade school to the high school levels. Towards this end, the DECS has integrated cooperatives in the grade school (Grades I to IV) and in the high school curricula as parts of subjects taught to pupils and students. The DECS's efforts, however, suffer from financial and technical constraints.

(7) Agricultural Credit and Cooperatives Institute (ACCI), College of Development Economics and Management (CDEM), University of the Philippines at Los Banons (UPLB)

The ACCI under its Charter, engages in the training of the officers, directors, committee members, and key management staff of cooperatives; research and development activities; and consultancy services for cooperatives.

(8) Department of Agrarian Reform (DAR)

The DAR implements the Agrarian Reform Code (R.A. No. 3844, as amended), and the Agrarian Reform Program under it, and generally looks upon cooperatives as institutional vehicles possible for agrarian extension, credit and agricultural marketing and supply in agrarian reform areas; implements the emancipation of rice and corn farmers who are deemed owners of the land they till (except the area authorized to be retained by the landlord or landowner) and who will receive the title of ownership thereto (after they become members of cooperatives) upon full payment of the price of the land under an amortization scheme (Under P.D. No. 27, as amended); and the Comprehensive Agrarian Reform Program (CARP) broadening the scope of the agrarian reform program under which cooperatives are also looked upon as one of the vehicles for its implementation (E.O. No. 229/87).

(9) Board of Investment (BOI)

The BOI provides various tax and other incentives to qualified enterprises, including cooperatives, engaged in pioneer and non-pioneer preferred areas of investment; export production/trading; and service exports, either alone or on a joint venture basis with Filipino or foreign enterprises, in accordance with the Investments Priorities Plan under the Omnibus Investment Code (P.D. No. 1789, as amended).

6. THE GOVERNMENT'S POSTURE TOWARDS COOPERATIVES

6.1 The Philippines has a unitary Constitution. It has various levels and sectors of governmental instrumentalities. Cooperatives, in general, constitute a common or concurrent subject among all of the government agencies on the national and local levels. However, the directions and emphasis vary, depending upon the importance of the role cooperatives are expected to play in the economic and social plans and programs of the concerned agency.

6.2 National Policy Statement

The national policy statements on/relating to cooperatives are found in the Constitution and in the various cooperative laws. In sum, these policies regard cooperatives as positive agencies and factors of national development and, accordingly provide them with both institutional and technological assistance through outright subsidies, loans, or technical/technological guidance and facilities.

6.3 Discussion of Cooperatives in the National Legislature.

6.4 Cooperatives are discussed in the Congress of the Philippines when proposed legislative measures are introduced for enactment. At present, two (2) major measures affecting cooperatives (written up by this author on the bases of his 29-years experience with Cooperative Legislation sponsored by the CUP and the BACOD on November 7-8, 1987) have been introduced and are now under deliberation, namely:

(1) Creation of a Cooperative Development Authority (CDA).

Senator Heherson Alvarez introduced this bill in the Senate as

S.No. 159; and Congressman Pedro P. Romualdo in the House of Representatives as H.No. 325. The bill centralizes the cooperative functions of government into one agency and rationalizes the functions of the entire government in respect of cooperatives. The CDA takes charge of institutional Development; while the rest of the government service take charge of technological development of cooperatives.

(2) Cooperative Code of the Philippines.

Senator Agapito Aquino introduced this proposed measure in the Senate as S.No. 210; and Congressman Romualdo in the House of Representatives as H.No. 4065. The bill sets forth the general law for all types of cooperatives and threats of the State policy on cooperatives, their organization, registration, management and operations; and strictly limits the regulatory powers of government to procedural matters. The bill recognizes special types of cooperatives which are treated in special chapters. The bill provides for its printing and general circulation.

5.4 Representation in Government

Cooperatives do not have any formal representation as a sector in the Congress. However, various Senators and Congressmen already represent cooperatives as part of their general constituency in the Senate or the House of Representatives, as the case may be.

6.5 Nevertheless, the Cooperative Movement seeks to have a party-list representative in Congress alongwith the labour, peasant, urban poor, indigenous cultural communities, women, youth, and other sectors as authorized in Article VI Section 5(2) of the 1986 Constitution of the Philippines. For this purpose, Congressman Natalio Beltran, Jr. filed H.NO. 2234 and the same now awaits enactment.

5.6 Cooperatives are not represented in local government bodies. However, these local bodies generally sympathize with cooperatives.

7. COOPERATIVES IN ECONOMIC PLANNING

7.1 The government regards cooperatives as among the various

private institutional vehicles called upon to help attain economic targets in the following areas:

- (1) Agricultural Development, particularly in the fields of agricultural credit; production, and marketing and supply.
- (2) Rural Electrification;
- (3) Sugar Industry Development; and
- (4) Public Transportation.

7.2 The government does not view cooperatives as national (government) agencies implementing government programs but as popular organizations collaborating with government. Cooperatives have specific places in the National Plan Documents. These are in the field of agriculture, agrarian reform, and rural electrification. However, they are not formally consulted by, nor represented in, the National Economic and Development Authority (NEDA), the Philippines' planning body. This being so, they have no substantial role in the formulation of the national economic development plans. The net result is that cooperatives do not enjoy any substantial advantage as such. As a consequence, cooperative development *per se* does not enjoy priority status; *Per accidents*, i.e., as vehicles to achieve government targets, they enjoy a measure of priority in the fields of rural electrification and public transportation.

8. GOVERNMENT OBJECTIVES OF COOPERATIVE DEVELOPMENT

8.1 The long-term objectives of the government's cooperative development program are increased productivity, incomes, and purchasing power of the low-income sector; and more equitable distribution of income and wealth. In the implementation of its plans and programs, however, the government appears to be ambiguous in its posture towards cooperatives.

8.2 In the Philippines, the authorities do not envision a cooperative commonwealth nor third sector. The government regards cooperatives as private sector organizations wherein all their assets, funds and properties are private resources of their members held and administered by their chosen management (similar to corporations). Nevertheless, cooperatives are viewed as instruments of economic planning, although there appears to be no

conscious effort to develop a *self-reliant and decentralized total cooperative economic system*.

8.3 Cooperatives are used as retailers of government services and benefits to achieve increased agricultural production and rural development. But there appears to be no conscious or deliberate effort to diversify cooperatives to cover various fields of economic activities and social services. The cooperatives themselves, however, initiate diversification *on their own*. It is heartening to note that conscious efforts are now being exerted to establish a Cooperative Development Agency (CDA) to rationalize all government agency development programs for cooperatives.

8.4 The effort to establish the CDA assumes great importance in the light of the current programs of the government for national reconstruction. In undertaking its tasks, the government also enlists people's participation in its various economic and social programs through people's sectoral and geographical associations, and seeks to develop self-reliance among the people in collaboration with NGOs, PVOs, people's economic and non-economic associations *including cooperatives*.

8.5 The government ensures equitable distribution of essential/scarcce commodities through programs designed for the purpose. Such programs normally include participation of cooperatives. Some program areas are the following:

- Foodgrains (mainly rice and corn).
- Basic consumer items (sugar, cooking oil, etc.).

8.5.1 This is done through a combination of subsidy, networking, licensing, and incentives.

8.6 The government encourages self-employment through its Livelihood Programs under various agencies. It also encourages development of change-agents through community development and extension services mainly in rural areas. And, as usual, cooperatives are called upon to play a role therein.

9. DEVELOPMENT OBJECTIVES OF COOPERATIVES.

9.1 The development objectives of cooperatives are those set

by the members themselves to *Satisfy their own felt needs as received by them*. These cover income, savings, and essential services. Their objectives *occasionally* synchronize with those of the government when the latter's programme *also* seeks to satisfy the needs of the people *which are the same as those of their members*, although the satisfaction may only be accidental.

9.2 The cooperatives formulate their policies and objectives as follows:

(1) Micro Level — At the micro level or firm level, policies and objectives are generally initiated by management and the same is adopted by the Board of Directors or the Committee concerned, as the case may be, where such policy proposed is within their competence, they recommend the same for approval by the higher authority within the cooperative (i.e. Board or General Assembly).

Depending on the nature and extent of the policy, the same may be subjected to study before it is formally proposed or approved. The study may take the form of a research or study group; seminar; workshop; or conference or symposium.

Policies and objectives are, in some instances, initiated by the Board of Directors, any committee, or any member thereof; or any member of the cooperative.

(2) Macro Level — At the macro level or inter-firm level (sectoral or geographical or both) policies and objectives are initiated by any cooperative, federation, or union and the same are discussed at a meeting, seminar, workshop, conference, congress, symposium, or similar activity called for the purpose of evaluating the proposed policy and objective, and recommending action thereon.

The report and recommendation drawn up at the above-mentioned activity is transmitted to all the cooperatives concerned for their consideration and action. Every cooperative concerned has the option to adopt or disregard the proposed policy or objective. In a great number of instances, proposals remain enacted upon or disregarded.

9. ROLE OF THE GOVERNMENT IN COOPERATIVE DEVELOPMENT

10.1 The government plays the following roles mainly in the development of agricultural, electric, and transportation cooperatives:

- (1) Promotional;
- (2) Policy/Programme formulation;
- (3) Target determination;
- (4) Allocation of government funds;
- (5) Constitutional recognition of cooperatives and enactment of implementing laws;
- (6) Encouragement of a conducive environment for cooperative development;
- (7) Providing guidance;
- (8) Providing/arranging education and training facilities;
- (9) Management of selected cooperatives subsidized by it;
- (10) Supervision of cooperatives through inspection, audit and examination

11. GOVERNMENT SUPPORT AND AID FOR COOPERATIVES

11.1 The Philippine Constitution mandates government support to cooperatives. However, until the enactment of the aforementioned legislative proposals on the CDA and the Cooperative Code, the presently accepted government support and aid will largely be for agricultural, electric, and transportation cooperatives only.

1. Modes of Assistance. The instruments/methods for government support assistance to cooperatives are:

- (1) Enactment of cooperative laws;
- (2) Establishment/designation of statutory/administrative government offices (please refer to No. 2 above) for cooperatives;
- (3) Promotion of joint government-cooperative ventures such as the Cooperative Insurance System of the Philippines, Inc. (CRISP); Cooperative Rural Banks (there are 29 organized and registered); and several special projects implemented in collaboration with

cooperatives identified and selected. The foregoing cooperatives are partially capitalized by government:

- (4) Promotion of education and training by conducting/co-sponsoring (financially or otherwise) education and training activities;
- (5) Preferences are given or authorized to be given to particular types of cooperatives in: (a) the supply of agricultural commodities produced by members of cooperatives to state agencies administering price stabilization programmes; (b) electricity; and, (c) transportation;
- (6) Assistance in the promotion of foreign collaboration on cooperative projects. The private sector through the Cooperative Union of the Philippine, Inc. has reached out to the SCC-ICA Cooperative trade Project in 1982 on three (3) export-oriented cooperatives; and the US Overseas Cooperative Development Committee on the subject since the beginning of 1986. In both cases, the same were made with government cooperation;
- (7) Periodical evaluation of the state of the Cooperative Movement through those activities connected with the government's supervisory powers such as inspection and audit. Due to financial constraints, government resources cannot cope with the magnitude of the work. The Movement, however, through the CUP-Integrated National Cooperative Audit System (INCAS) has been working to fill the shortfall since 1985.
- (8) The government continues to provide guidance but the private cooperative sector has been taking over this function on an increasing scale especially in promotion and organization;
- (9) The government continues to exercise supervisory functions over cooperatives especially in electric and transport cooperatives. It is not clear whether the government has retained its supervisory powers

under P.D.No. 175, as amended, in view of E.O.No. 116 (See No. 2 above).

2. Assistance. The government grants concessions/incentives to cooperatives such as financial and material subsidies, assistance, and concessionary loans; exemptions from certain taxes and fees; and such other incentives. The government gives the following directly/indirectly:

(1) Share capital contributions. The CRISP is a joint government-cooperative affair. The government has, so far, contributed P10 Million to its capitalization.

As a matter of policy under the Rural Banks Act (R.A.No. 720, as amended), the government contributes, by way of preferred shares of stocks in the capitalization of Rural Banks including Cooperative Rural Banks. The normal contribution is at least P1 Million per bank.

(2) Grants and subsidies. The government also provides grants and subsidies to cooperatives on a case to case basis, which take financial and/or material forms e.g., managerial assistance and education and training grants for agricultural and electric cooperatives.

(3) Resources and guarantees. The government provides resources and guarantees to the financing, development-financing institutions in the same manner and conditions as are given to other private enterprises.

(4) Tax exemption. The government extends income-tax exemption to non-profit organizations and this may include cooperatives, if they qualify as such; and to farmers' cooperatives which act merely as sales agents of such farmers. However, the tax-exemption privileges granted to cooperatives under cooperative laws have been withdrawn under Executive Order No.93.

Local governments (provinces, cities, municipalities, and barrios), are not granted any authority to impose taxes on cooperatives. In this light, they are *not subject* to local taxes.

Both the national and local governments do not exempt cooperatives from registration and licensing fees.

(5) Building of a Conducive Environment for Cooperatives.

The government has endeavoured to build a favourable climate for the development of cooperatives. Steps taken towards this end are:

- (a) Constitutional and statutory policy statements.
- (b) Inclusion of cooperatives in the educational curricula;
- (c) Grant of incentives (tax and non-tax)
- (d) Public recognition to cooperatives and their leaders during the annual Cooperative Month Celebration (Oct. 16—Nov. 15) each year); for their *outstanding* contributions and services to the Movement;
- (e) Building of infrastructural arrangements for marketing/processing, etc., through the *Samahang Nayon-Area Marketing Cooperative Rural Bank* tie-up programme on extension of agricultural credit to production, storage, and marketing of farmers' produce;
- (f) Promotion of research on cooperatives through the Department of Agriculture, Central Bank of the Philippines, and the Agricultural Credit and Cooperatives Institute (ACCI) of the College of Development Economics and Management in the University of the Philippines at Los Banos;
- (g) Provision of management development through the various agency programmes of the Department of Agriculture (particularly the Management and Training Assistance Programme under P.D.No. 175, as amended); Central Bank of the Philippines; ACCI; National Electrification Administration; and RCDAO of Regions IX and XII.

(6) Influencing Cooperative Decisions. While this may not exactly be assistance, the government utilizes this as means of aiding cooperatives. The government influences cooperative decisions through the following methods:

- (a) Issuance of circulars;
- (b) Public criticism of defective decisions taken by boards and assemblies;
- (c) Rescinding illegal or unauthorized decisions made by the boards or assemblies of government-financed cooperatives as authorized under the terms of financing;

- (d) Giving directives;
- (e) Appointment of managers and directors of government financed/subsidized cooperatives;
- (f) Use of fiscal, monetary, credit, and other economic policies and policy instruments.

(7) Performance Assessment of Cooperatives. The government examines and assesses the performance of cooperatives through the following:

- (a) Inspection and audit;
- (b) Laying down norms of performance and measuring their actual performance as borne out by the results of audits and inspections;
- (c) Requiring them to submit their annual financial statements duly audited by chartered or certified public accountants (CPAs) and evaluating their performance on that basis.

The foregoing are generally annual in frequency. However, depending on the nature and complexity of the business of the cooperative, the performance assessment is done as often as necessary; semestraly, quarterly, monthly, fortnightly, or weekly, depending on *what* is being evaluated and the measures required to be taken.

Normally, the performance assessment (if done ostensibly as a means of *helping* the cooperatives improve upon their operations, and in a timely manner) goes a long way in improving the morale of the members and the economic viability of the cooperatives themselves. The Philipines experience attests to this fact.

The government staff is inadequate to complete physically the task of performance assessment on cooperatives. The general impact is the lowering of membership morale and eventual loss of interest in the cooperatives. However, it is interesting to note that a recent reaction to this is the general Movement to take over the government's functions (except registration and law enforcement) by the private sector cooperatives such as:

- promotion and organization;
- education and training;
- legal and audit services;
- management and technical consultancy;
- research; and,
- policy initiatives

(8) Responsibility for Audit. The Movement generally holds that audit is a tool of management. As such, it is the responsibility of the cooperatives and not that of government. This does not mean, however, that the government should not audit cooperatives. On the contrary, it should audit cooperatives *but for the purpose of determining whether or not the cooperative has complied with the laws regulations affecting it*, and accordingly take action on its findings.

It is widely held that the audit for which cooperatives are responsible shall be on the over-all performance of the organization; and this *includes the legal aspects of their operation* (the primary concern of the government audit).

The present arrangements for cooperatives under P.D. No. 175, as amended is that one provided under the Integrated National Cooperative Audit System (INCAS) established by the CUP, the National Confederation of Cooperatives, Inc. (NATCCO), the Philippine Federation of Credit Cooperatives, Inc. (PFCCI), and the National Capital Region Union of Cooperatives, Inc. (NCRUCI). The INCAS is designed to provide audit services to cooperatives registered under P.D. No. 175, as amended, although it can also provide audit services to electric and transport cooperatives under a scheme that can be worked out.

The INCAS accredits its cooperative auditors who are drawn mostly from government personnel or government-trained cooperative auditors. These auditors are fielded to audit cooperatives on a professional engagement basis. However, not all cooperatives are audited by INCAS. Cooperatives not audited by the INCAS fall into two categories:

Those already being audited by general practitioners and these generally can afford to pay audit fees;

Those audited by the government and these are generally those who cannot afford to pay audit fees.

It is still too early to tell how long INCAS will take to fully meet the needs of all cooperatives. Be that as it may cooperatives' accounts are audited by either INCAS, general practitioners, or the government.

(9) Government Involvement in Recruitment/Selection of Officials of cooperatives. The government is not involved in the recruitment/selection of cooperative officials *except key management staff of cooperatives and Only under particular instances, to wit:*

(a) MTAP

(b) Development Financing — By contractual agreement.

(10) Government Suspension/Supersession of Elected Boards. The government does not suspend nor supersede Board of Directors. However, under the laws, the directors of a cooperative are jointly and solidarily liable for any damages suffered by the cooperatives for illegal or unauthorized Board decisions (except those who registered their opposition at the time of the act or omission giving rise thereto), without prejudice to any criminal and civil liabilities they may incur thereby.

12. IMPACT OF GOVERNMENT'S ROLE

12.1 The active role of the government as experienced in the Philippines has had both positive and negative effects. These are the following:

(1) Positive effects. One such effect is the official public recognition of the private cooperative sector as a potential force for economic and social development. Other positive effects are the accelerated growth in the electric and transport cooperatives, more financial aid, and the development of human resources through various education and training programmes.

(2) Negative effects. There are a number of negative effects of government's role and these are:

(a) Loss of credibility of cooperative due to dependence on the government prevalent in the agricultural sector. As a consequence they are regarded as government subsidiaries;

- (b) Loss of cooperative character and decreased people's participation in cooperatives with heavy government influence;
- (c) Inofficious intervention by misguided minor functionaries in the management and business operations leading to corruption and eventual bankruptcy;
- (d) Erosion of cooperative leadership and member sovereignty leading to member demoralization; and,
- (e) Politicalization of cooperatives especially among farmers, fishermen and other producers.

12.2 The foregoing provide an insight into the high cost of government playing an active role in cooperative development. It is something that needs close scrutiny. Unfortunately, however, there is no research nor study purposely made on the impact of the government's role on cooperative development.

13 COOPERATIVE LEGISLATION

13.1 There exist separate laws on cooperative development and these are:

1. Philippine Constitution;
2. P.D. No. 175, as amended;
3. P.D. No. 269, as amended;
4. P.D. No. 775, as amended; and
5. E.O. No. 898.

13.2 Certain important points relating to cooperatives under the foregoing laws need to be identified and briefly discussed. The succeeding sections will provide useful insights on the matter.

12.3 Basic Considerations.

P.D. No. 175, as amended defines a cooperative; while P.D. No. 269, as amended defines an electric cooperative. All cooperative laws, however, require that every cooperative be registered before it may be allowed to operate. The common requirements for registration are:

- At least fifteen incorporators;
- Minimum number of membership (depends on type of cooperative and agency);

- Minimum capitalization (varies according to type of cooperative and agency involved);
- Duly executed articles of incorporation and by-laws;
- Bonds of accountable officers;
- Economic survey or feasibility study, whenever required, as in large-scale cooperatives; and,
- Minutes of the organization meeting.

Cooperative Principles

13.4 The general cooperative law (P.D. No. 175, as amended) incorporates the first four (4) cooperative principles while the other laws do not. Nevertheless, cooperatives under those other laws are required to abide by the principles of cooperation in the conduct of their affairs. It should be noted that the general cooperative law, P.D. No. 175, as amended, and the other laws, conform to the ICA Cooperative Principles.

14. RELATIONSHIP ENVISIONED BY LAW BETWEEN THE GOVERNMENT AND COOPERATIVES

Such a relationship is spelled out in the laws themselves and the same is briefly described as follows:

- (1) *P.D. No. 175, as amended* – promotional, supportive, development-oriented, regulatory (Please refer to *Section 1 and 8* of said law).
- (2) *P.D. No. 269, as amended* – promotional, supportive, development-oriented, regulatory (Please refer to *Section 2* of said law).
- (3) *P.D. No. 775, as amended* – promotional, supportive, regulatory (Please refer to *Section 1* of said law).
- (4) *EO No. 898* – promotional, supportive, regulatory (Please refer to *Sec. 2 & 3*, of said law).

14.1 In the field of legislation, policy and programme formulation the relationship between the government and cooperatives may be described as follows:

- (1) **Legislation:** The Congress through its Committee concerned

conducts public hearings wherein the views of cooperatives on proposed legislation affecting them are heard, before the Congress approves the same for signature by the President.

- (2) **Policies and Programmes:** The executive departments or agency concerned normally consults cooperatives in the formulation of policies and programmes affecting them through meetings, conferences and workshops before adopting such policies or programmes.

15. ELECTION TO NATIONAL ORGANISATIONS

Election of representatives of cooperatives to national organisations are provided for in the latter's bye-laws. There is no question about elective cooperative officials getting elected to national organisations. However, problems may come up when an employee is elected to national organisations. In the Philippines, there is no law expressly authorising nor prohibiting an employee of a cooperative to be elected to an elective position in national federal organisations. Managers and key management staff are sometimes elected to national organisations but these are comparatively few.

15.1 The law does not provide any specific qualifications for persons to be elected/appointed as officers or directors of cooperatives. These are placed in the bye-laws.

Responsibility for Conduct of Elections:

15.2 The responsibility for the conduct of elections in a cooperative lies with the Committee on Elections (COMELEC) appointed by the previous year's annual general assembly.

15.3 The laws do not expressly provide for a system for democratic management of cooperatives, the same being a matter properly belonging to the bye-laws. The laws, however, specifically state that the board of directors shall be elected by the membership general assembly.

15.4 The plans and programmes of the board of directors for the year are presented to the membership general assembly

together with the accompanying budget. The members approve the same with or without amendment. The same are implemented by the board and the management.

15.5 On the following year, an annual report is submitted by the board of directors to the membership general assembly accompanied with the year-end financial statements duly audited by the Audit Committee.

15.6 The membership general assembly evaluates the overall performance of the board comparing the annual report and financial statements with the plans and programmes and budget earlier submitted to it. The members' satisfaction over the report will be shown in the reception thereof and in the results of the election of directors. By this means democratic management is at least approximated.

16. CHIEF EXECUTIVE

16.1 The chief executive of cooperatives are normally called "president" and they are also chairmen of the boards of directors. They are elected by the directors *from among themselves* for a term of one (1) year and they act as the legal representatives of their cooperatives. Some cooperatives have "Managing Directors". In the Philippines, the concept of managing director is that of a director appointed to perform general management (day-to-day) operations under the President.

16.2 The laws recognise the President as the chief executive officer. He has the right to vote if not presiding or even then in case of a tie. The president is normally chairman of the board except where the bye-laws also create a separate position of chairman.

16.3 PD No. 175, as amended and EO No. 898, do not specifically create the positions of Chairman of the Board or President. The matter is left for determination by the members through the regulations and bye-laws. However, PD No. 269, as amended creates the position of President who is chairman of the board and the general assembly. By implication, PD No. 775, recognises the position of president who is also chairman of the board and general assembly.

16.4 The laws do not provide whether or not the chairman or president (full or part-time) should be paid. The matter is left to the members decision.

17. LEGISLATIVE RESTRICTION OF TERMS OF ELECTED OFFICIALS

17.1 PD No. 175, as amended, and LOI No. 23, as amended, limit the terms of office of directors of cooperatives to a maximum of two (2) years at a time. This applies to all types of cooperatives except electric cooperatives and sugar cooperatives. PD No. 269, as amended, authorises electric cooperatives to fix in their bye-laws their directors' term. PD No. 775 does not specifically deal on the subject but impliedly adopts a maximum term of one (1) year under the Cooperative Marketing Law in relation to the Corporation Law (under which sugar cooperative marketing associations are registered) which provides one (1) year term of office for directors.

18. RESPONSIBILITIES OF COOPERATIVE BODIES:

18.1 The law confers upon national/regional bodies (federation) (unions/associations) full powers as are granted to ordinary private industry federations, chambers, centers, foundations, etc. provided their purposes are not contrary to law.

19. PENAL SANCTIONS:

19.1 The laws provide for penalties for any offences or crimes committed by officers, directors, committee members, members, and staff of cooperatives to the damage and prejudice of cooperatives. Such offences and crimes are punished under:

- (i) the penal laws.
- (ii) the special laws on cooperatives.
- (iii) the local ordinances.

19.2 The penalties are in the form of fines, imprisonments, and disqualification from public office.

20. MEMBER NON-USE OF SERVICES

20.1 The laws do not specifically provide for discontinuance of a person's membership in a cooperative for non-use of services although this is a ground for expulsion, being an omission inimical to the interest of the cooperative.

21. CODE OF CONDUCT

21.1 The laws do not provide for a code of conduct or code of ethics for cooperatives and their officials and directors. The laws do not direct cooperative to adopt such a code. It is left to the cooperative themselves.

22. EMPLOYMENT OF STAFF

22.1 The cooperative laws do not provide the procedure for staff recruitment or appointment. The Labour Code and related labour and social legislation set the terms of reference for the employment of persons by any private organisation. The term "private organisation" as used herein, includes any cooperative under any law. The cooperative laws do not lay down the procedure for the selection/election of directors.

23. ACCOUNTABILITY

23.1 The laws hold the paid officers, members of board of directors and other office holders of cooperatives accountable as follows:

- (i) *Directors*: Joint and solitary liability for any damage due to illegal or unauthorised decisions of the board unless they objected on record. The liability may be civil or criminal or both.
- (ii) *Officers and other office bearers*: The same as in the case of directors.

24. POLITICIZATION OF COOPERATIVES

24.1 Certain practices pose the dangers of politicization of cooperatives. Notable among these are:

- (i) writing off of loans;
- (ii) government appointees to boards and management;
- (iii) government assistance in the form of loans, grants and subsidies and support.
- (iv) uneven law enforcement, subsidies, loans assistance and the like.

24.2 The government frowns upon politicisation of cooperatives. The law on anti-graft and corrupt practices (RA No. 3019, as amended) punishes corrupt practices of public officials in general. This law, which may cover acts or omissions falling under No. (iv) above may be utilized by cooperatives to avert their own politicisation. The cooperative laws and other applicable laws also provide remedies. It is upto the cooperative leaders to decide whether or not they will seek protection under the aforementioned law and other laws whenever appropriate.

25. ROLE OF THE GOVERNMENT IN COOPERATIVE EDUCATION AND TRAINING

25.1 The current role of the government in the aforementioned field may be outlined below:

1. research and development.
2. general public information on cooperatives.
3. pre-membership education.
4. training of officers, directors and committee members.
5. management training.
6. sponsorship of advanced management training locally or abroad.
7. introducing cooperatives in the educational curricula.
8. offering of degree-oriented cooperative courses.

25.2 The government through its various agencies perform its role either directly or indirectly, solely or jointly with cooperatives, by conducting, sponsoring, or financing any and all of the foregoing activities.

26. THE PROPER ROLE OF THE GOVERNMENT

26.1 The 1987 Philippines Constitution aptly defines the proper role of the government in the development of cooperatives in

Article XII National Economy and Patrimony particularly Section 15 thereof, which provides:

“The Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development”.

26.2 The State has, thus, declared in clear and definite terms its mandate on cooperatives. The government and the Philippine Cooperative Movement now face the task of operationalising the aforementioned Constitutional mandate. Towards this end, both the government and the Cooperative Movement must come to a mutual understanding on certain fundamental precepts and considerations and accordingly substantiate these with concrete public policies and action programmes. The following key areas of concern should be addressed forthwith.

26.2.1 Policy Infrastructure: Official government recognition of cooperatives and their true characteristics constitutes the fundamental policy infrastructure that will govern the direction, pace, and quality of cooperative development in the future. Such a recognition should be embodied in a correct definition of what a cooperative is, and the inclusion of such a definition in organic law for cooperatives for a basic policy posture and guidepost. Such a definition should lay to rest any doubts on the nature and character of cooperatives and even show the way for their tax treatment vis-a-vis profit enterprises.

26.2.1.1 In simplest terms, a cooperative may be defined as “an organisation formed by people, usually of limited means, who pool their resources for the purpose of securing for themselves credit, goods, and services at the lowest possible cost, through the mechanism of economies of scale, volume discounts, cost-sharing and risk-sharing; and equitable distribution of the net savings at the end of the operating period”.

26.2.1.2 The nature and character of a cooperative under the above definition are such that it increases the productivity, incomes and purchasing power of its member, generate employment and economic opportunities in the communities wherein it operates; and helps equitably distribute the income and wealth generated. In this light, cooperatives positively contribute to national development and, should enjoy the recognition of the

State as partners in national development and treated as such.

26.2.1.3 With the foregoing policy of infrastructure in place, all state policies, plans, and programmes on the promotion of cooperatives built upon it, will expectedly bear lasting benefits for the Cooperative Movement and the nation.

26.2.2 Integration into the National Consciousness

26.2.2.1 The proper recognition of cooperatives requires that the concept of Cooperation be inculcated into the national consciousness as one of the institutional agencies available to the people in their quest for a better life. Thus, the following roles of the government should be played out in full:

- (i) **Integration of Cooperation in the Educational Curriculum:**
The cooperative idea should be taught in the schools at all levels from grade school to college. This will enable the coming generations to fully understand and properly make use of cooperatives.
- (ii) **Introduction of Cooperatives in Extension Programmes:**
The cooperative idea should be made a part of the government's extension programmes for the people. This will enable the present generations to avail themselves of the benefits of Cooperation on an immediate basis.

26.2.2.2 There are other means available for inculcating cooperatives into the national consciousness. Notable among these is the annual celebration of a Cooperative Month which, by executive proclamation, lasts from October 16 to November 15 of each year. Such an occasion serves to popularise cooperatives through activities and programmes publicized in the mass media (press, radio and TV).

26.2.3 Promotional Strategy

The government strategy for promoting cooperatives should be anchored on a twin-pronged development policy of institutional build up and technological advancement. The former deals with the organisational integrity and sensitivity of cooperatives; while the latter deals with the reliability and delivery capabilities of

cooperatives. Such a developmental policy should be actualised in the following significant modes in the order of priority indicated.

(a) **Education and Training:** The government should vigorously pursue an education and training programme for all national and local government executives and personnel on the theory, philosophy and principles and practices of cooperation, and the place of cooperatives in the National Economy. Such a programme should be addressed not only to those responsible for institutional development of cooperatives, but equally to those responsible for the technological development of such cooperatives. To achieve the greatest results, such a programme should be conducted by the government agency or agencies in charge of cooperatives in collaboration with the civil service commission and tied up with the career development programme of the government.

Complementary to the above, the government should sponsor, in collaboration with the Cooperative Movement, education and training programmes for the members, officers, directors, committee members and staff of cooperatives upon request of the Cooperative Movement. Such programmes should address the institutional and technological needs of cooperatives on a balanced basis. For optimum results, such a programme should be geared towards the development of a career system within the Cooperative Movement in order to conserve, maintain, and enhance its human resources for further development.

For the above purpose, the government and the Cooperative Movement should establish a national cooperative college under the University of the Philippines System which should be administered by the U.P. and the Cooperative Movement.

(b) **Technical Guidance:** In technical/technological areas wherein the Cooperative Movement is not yet developed, the government should provide technical guidance upon request. Whenever appropriate and suitable a technical consultancy programme should be devised whereby the government agency concerned, in collaboration with the Cooperative Movement, may supply technicians who will assist cooperatives to develop their technical/technological capabilities. Possible areas for consultancy are agro-industrial cooperatives, fishery cooperatives, and the furniture industry.

An appropriate and suitable consultancy programme (for eventual

turn-over to the Movement) will enhance the delivery capabilities of cooperatives.

(c) **Inspection and Audit:** The government should maintain a trained corps of inspectors and auditors to help preserve and maintain the financial integrity of cooperatives under an appropriate and suitable programme to be implemented jointly by the government and the Cooperative Movement. Provision should be made in that programme whereby all inspection and audit functions except those purely for purposes of law enforcement shall be taken over by the Cooperative Movement.

Encouraged by the government circular providing for the transfer of audit functions to the Movement, the CUP organised an autonomous Integrated National Cooperative Audit System (INCAS). However due to fund constraints, the said programme achieved only limited results. Nevertheless, the Movement has shown its willingness to undertake the service audit functions of government. In this light, the government should provide funding support for INCAS.

Inspection and audit as strategic tools of development, reinforces the organic stability of cooperatives while generating public confidence in them. This, in turn, encourages the support of both the members and the general public resulting in sustained viability and growth.

(d) **Assistance:** The government should assist cooperatives, if and when the latter deserve it. They should qualify for assistance under standards that take into consideration their cooperative character. No assistance, however, should be extended, nor continued, to any cooperative with corrupt, inefficient, or incompetent board of directors, officers or management staff. Government assistance should enable cooperatives to produce higher quality and more quantity of goods and services and not subsidize overhead their costs.

The government should provide assistance only upon request by the board of directors of the cooperative concerned. The assistance should be extended only on the basis of a project duly approved by the government and the board of directors and formalized through a memorandum of agreement.

The assistance may take the following forms:

(a) **Trade assistance:** The government may provide directly or indirectly local or foreign sources of raw materials or markets for products. Such assistance may, take the form of economic intelligence, advances, tax incentives, guarantees, facilities, preferential treatment, and priority action.

(b) **Financial assistance:** The government may provide directly or indirectly the following financial assistance upon request or application:

(i) *Exemption from Government taxes/fees:* The government should grant exemptions from government taxes and fees. But such exemptions should be granted under an appropriate and suitable fiscal administration programme implemented by the fiscal authorities concerned. Exemptions should be selective, i.e. limited only to those taxes and fees which the cooperative needs to be exempted from. A fledgeling industrial cooperative may need exemption from sales taxes but may not need such exemption from real estate taxes. The exemptions should also be calibrated i.e. the exemption may be granted for a number of years but on a diminishing percentage. This should stimulate the productive capacity of the cooperative to that point of competitiveness in the open economy.

(ii) *Loans and Guarantees:* The government should grant loans and guarantees (whether on concessionary terms or not) to cooperatives if and when they qualify under standards that take into account their cooperative character. Such loans/guarantees should be covered by a Memorandum of Agreement whereby the proceeds/effects of the loan/guarantees shall be utilised by the cooperative in accordance with a business plan or project duly approved by the government and the board of directors of the Cooperative Movement.

Appropriate and suitable safeguards to protect the interest of the government and that of the members of the cooperative should be written into the Memorandum of Association and the Loan/Guarantee documents.

(iii) *Grants, donations and subsidies:* The government may directly or indirectly give grants, donations and subsidies to cooperatives.

However, this form of assistance should be put to productive use and duly accounted for by the cooperative. This is to ensure that the cooperative concerned will not become a mendicant, or an agent of mendicancy but an agency of development.

(iv) *Facilities*: In appropriate and suitable cases and while the economic capabilities of the cooperatives are still insufficient, the government should avail to cooperatives the use and/or occupancy of government facilities at cost or without cost, such as, lands, buildings, machinery and equipment, offices, and utilities. However, such facility assistance should be extended under a written agreement and the value thereof duly accounted for and reflected in the financial records of the cooperatives.

The foregoing forms of assistance may be granted by the government singly or in alternative combinations depending on the needs of the cooperative concerned.

27. OFFICIAL ACTUALISATION OF THE GOVERNMENT'S ROLE IN COOPERATIVE DEVELOPMENT

27.1 Given the Constitutional mandate, and the policy options and instruments of strategy available to the government, the following legislative measures drafted by this author on the basis of the results of the CUP-NACOD National Workshop on Cooperative Legislation held at the TUCP Training Centre, Quezon City, Philippines, on November 7-8, 1987, now pending in Congress, should be enacted into law.

27.1.1 **Cooperative Development Authority (CDA)**: This is an act creating the Cooperative as instruments of social justice and economic development, defining its powers, functions and responsibilities, rationalising of government agencies, with cooperative functions, transferring the registration and regulation functions of existing government agencies on cooperatives as such and consolidating the same with the authority, appropriating funds therefor, and for other purposes.

27.1.1.1 This bill introduced in the Senate by Senator Heherson Alvarez as Senate Bill No. 159 and in the House of Representatives as House Bill No. 325 by Congressman Pedro Romualdo, seeks to implement the mandate enshrined in Article XII Section 15

of the New Constitution for Congress to create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development.

27.1.1.2 Cooperatives offer to the people the opportunity for the organised improvement of their welfare under their direction through the pooling of their talents and resources; sharing of costs and risks, and proportionate and fair sharing of benefits and returns, resulting in: (i) social justice by effecting a more equitable distribution of the income and wealth generated; and (ii) economic development by generating out of the pooled meagre resources of the people increased productivity, incomes, purchasing power, savings and investments.

27.1.2.2 Comprehensive Promotions Programme: The Constitutional mandate commits the State to the propagation of the Cooperative idea for improving the people's welfare. Accordingly, the proposed measure adopts a four-pronged development strategy in the implementation of the Constitutional mandate under a comprehensive cooperative promotions programme which shall be the major component of the national development plan as follows:

- (a) **Promotion:** This involves the integration and teaching of cooperatives in the public and private educational system from grade school to collegiate levels.
- (b) **Institutional Development:** This involves the following activities in respect of cooperatives:
 - (i) **Organisation:** Teaching the organisers of cooperatives on the organisation and operation of cooperatives.
 - (ii) **Registration:** Grant of juridical personality to cooperatives.
 - (iii) **Regulation:** Seeing to it that the activities of cooperatives are in accordance with law, and
 - (iv) **Education and Training:** Teaching the members the history and philosophy of Cooperation; and developing the necessary skills and attitudes required of the officers, directors, committee members and key management staff of cooperatives.

- (c) **Technological Development:** This involves the following activities in respect of cooperatives:
- (i) *Innovation and Inventions:* Development of new techniques, methods, and procedures in the management of the operations of cooperatives.
 - (ii) *Modernisation of Equipment and Facilities:* Encouragement or introduction of new, suitable and appropriate technologies in the operations of the cooperatives.
- (d) **Finance:** This will involve the financing of selected activities to encourage the growth and expansion of cooperatives in the following areas: (i) refinancing cooperative banks, (ii) project development; (iii) education and training; and (iv) transfer of technology.

27.1.3 Rationalization of Government Agencies and Resources

27.1.3.1 The foregoing comprehensive cooperatives promotions programme will involve all branches, sub-divisions, agencies, and instrumentalities of the government in order that the constitutional mandate on cooperatives may be translated into a living reality. Hence, the proposed measure accordingly integrates cooperative promotions as a major programme of the government and rationalises the agencies involved as follows:

(i) Cooperative Development Authority The proposed measure creates the Authority, charges it with the responsibility of institutional development of cooperatives, centralising therein the functions of all other agencies on the registration and regulation of all cooperatives as such. The measure also tasks the authority with the preparation of the comprehensive cooperative promotions programme, which shall be a major component of the national development plans in collaboration with all government agencies concerned; monitoring and reporting to the President and the Congress the status of implementation of the programme and generally be responsible for the institutional development of cooperatives (organisation, registration, regulation). All funds, properties and records of affected agencies are absorbed by the Authority.

(ii) Cooperative Development Loan Fund (CDLF) The CDLF is reorganised into a corporate body under the supervisions of the

Authority to provide development financing of cooperatives (project development). All CDLF funds transferred to CALF are reverted to CDLF. In addition, the CDLF is given a usufructuary trust fund of ten million pesos.

(iii) Fund for Assistance to Cooperative Education and Training (FACET) The proposed measure creates the FACET as a corporate entity to replace the management and training assistance programme (MTAP) which is abolished. The FACET will finance education and training activities of cooperatives. All MTAP funds, property and records are absorbed by FACET. In addition, FACET is given a usufructuary trust fund of ten million pesos.

(iv) National College of Cooperatives (NCC) The Agricultural Credit and Cooperatives Institute (ACCI) of the College of Development Economics of UPLB is reorganised into a National Cooperative College to provide management training to cooperatives. It is given a usufructuary trust fund of ten million pesos.

(v) Department of Education, Culture and Sports (DECS) The DECS is charged with the integration of cooperatives in the public and private educational system. It is given a usufructuary trust fund of pesos 30 million for the purpose.

(vi) Central Bank of the Philippines (CB) The CB is tasked with the development of cooperative banks and is authorised to create a department which shall design and implement a programme for the purpose to be financed by the CB.

(vii) State Colleges and Universities: The University of the Philippines System and all other state colleges and universities are tasked to include cooperatives in their courses and provide technical assistance to cooperatives in their respective jurisdictions.

(viii) All other Government Departments and Agencies: All other departments and agencies of the national and local governments including government-owned or controlled corporations are tasked with the technological development of cooperatives within their respective functional, sectoral or territorial jurisdictions.

A proposed comparison measure, designated as the "Cooperative Code of the Philippines" which shall be the general organic law

for all cooperatives, banks and agro-industrial cooperatives in agrarian reform areas will be filed shortly.

Approve of the proposed measure will give meaning and substance to the Constitutional Mandate and, thus, enable the people, especially those in the middle and low-income sector, to actively participate in national reconstruction. An economically strong and socially stable middle and low-income sector will greatly boost our country's efforts toward becoming a developed industrial society.

27.1.4 Cooperative Code of the Philippines

27.1.4.1 This proposed measure seeks to ordain a Cooperative Code of the Philippines, provide appropriations therefor, and for other purposes.

27.1.4.2 The proposed measure introduced in the Senate as Senate Bill No. 210 by Senator Agapito Aquino, and in the House of Representatives by Congressman Pedro Romualdo seeks to provide a simplified general organic law for all types of cooperatives. It recognises cooperatives essentially as a non-profit private service organisation dealing only with their members, facilitating the latter's access to information, technology and economic opportunities by the extensive use of the techniques of economies of scale, cost sharing and risk-sharing, treats them as a separate class of juridical persons on the same legal footing as corporations and partnerships, and enables them to likewise function with complete autonomy and independence for the benefit of their members in all areas of the national economy.

27.1.4.3 Designed principally to meet the long-felt need of cooperatives for autonomy and organisation integrity, the Code constitutes a self-executory law and it does not need any regulation or other implementing device to put into effect its provisions except in those few instances wherein regulations are allowed to be promulgated by the government agency concerned under strict rules in order to ensure the greatest public participation and quality regulations. The details on the internal structure, administration and operations of cooperatives shall be prescribed in their bye-laws; and their external relations with other persons, natural or juridical, shall be governed by this

Code and the general legal system existing in the Philippines. By this means, the people and their cooperatives enjoy the widest latitude in determining and conducting their affairs under their own control and direction devoid of any interference in their internal activities or external operations by parties or agencies having neither legal nor moral authority to do so.

27.1.4.4 History shows that since the beginning, the government has been sponsoring cooperatives as institutional vehicles to implement government programmes such as the provision of credit facilities, supply and distribution of production inputs, raw materials and other requirements, and the provision of essential services to the people. While the government's efforts are very laudable, it should be noted that whenever the government programme is terminated or runs into difficulties, that cooperatives involved invariably falter and die. Contemporary examples of these are the FACOMAS under the ACCFA and ACA programmes and the Samahang Nayons and area marketing cooperatives of the previous regime. On the one hand, history also shows that many cooperatives organised through the private initiative, resources and will of the people have (in most cases) shown success in their operation despite the general absence of government help. Under this category fall the credit unions, consumers cooperatives, agricultural cooperatives (not covered by the government cooperative development programmes), industrial and service cooperatives and many others.

27.1.4.5 The marked difference between the two groups of cooperatives referred to above lies in their degree of satisfactory responsiveness to the felt needs of their members, the key to cooperative success. In the first group, the organization of such cooperatives finds justification in the satisfaction of the need of the government programme to be implemented quickly and economically by channeling, through cooperatives government credit, commodities and essential services to the people. It has been the feeling that the people appear to have little control, if any, over the affairs of those cooperatives since the government agencies having control over the programme using such cooperatives as vehicles, naturally have a strong influence over the direction and affairs of said cooperatives. This largely explains the tendency of cooperatives in the first group to fail when the government programmes are terminated.

27.1.4.6 In the second group, however, the people organize the cooperatives to satisfy *their own felt needs* which range from credit, marketing and supply, and essential services. Such cooperatives are capitalized, fully owned and controlled by the members; and their programmes of action are drawn up, approved, and implemented by the said members through their own selected and paid officials and staff. There exists in this group of cooperatives that strong sense of ownership and belonging which constitute powerful driving forces that propel the cooperatives concerned to heights of success.

27.1.4.7 The proposed code adopts the model of the second group of cooperatives which reflects the true and correct cooperative model in the light of the history of the world Cooperative Movement; and makes allowances for particularized situations wherein the model drawn from the first group may be resorted to in highly justifiable circumstances on a long, medium or short-term basis with adequate safeguards against the faults and weaknesses of the first group of cooperatives.

27.1.4.8 The Code covers a wide range of subjects and these are the following : (1) General policy, concepts and principles; (2) Organisation and registration; (3) Membership; (4) Administration; (5) Responsibilities, Rights and Privileges of Cooperatives; (6) Illiquidity or insolvency of cooperatives; (7) Dissolution of cooperatives; (8) Capital, Property and Funds; (9) Allocation and Distribution of Savings; (10) Special Provisions Relating to Agrarian Reform Cooperatives; (11) Special Provisions Relating to Public Service Types of Cooperatives; (12) Special Provisions relating to Cooperative Banks; (13) Special Provisions Relating to Credit Union; (14) Miscellaneous Provisions; and (15) Final Provisions.

27.1.4.9 Enactment of the proposed Cooperative Code of the Philippines into law will enable the people in the middle and low-income sectors of the population to participate in the social and economic development of the country through their cooperatives. Needless to state, cooperatives promote greater income and productivity among the people; increase their purchasing power; generate employment and economic opportunities; and help equitably distribute the income and wealth they generate. Cooperatives achieve these through their built-in mechanisms of economies of scale, cost-sharing, and risk-sharing under an atmosphere of justice, equity, and fair play.

28. CONCLUDING STATEMENT

28.1 The Cooperative Movement offers to the Nation a just and lasting solution to poverty and economic privations by enabling the people to generate and increase their incomes, employment, and economic opportunities; strengthen their purchasing power; equitably distribute the wealth generated.

28.2 The Constitution recognizes the vital importance of cooperatives to nation-building as instruments of Social Justice and Economic Development. It directs Congress, under Article XII Section 15 thereof, to create an agency to promote the viability and growth of cooperatives in that light. Responding to the Constitutional mandate, and keenly aware of the urgent need for social and economic development with immediate results in order to combat poverty and secure to the people a fair share of the National wealth, the intellectual and popular leadership of the Cooperative Movement endorsed to the Congress of the Philippines, the proposed Cooperative Development Authority Bill and the proposed Cooperative Code Bill for immediate enactment.

28.3 For its part, the government through its Executive and Legislative branches, has positively responded to the proposals of the Cooperative Movement. The two major measures mentioned above may soon be enacted into law. To recall, the government has already defined its attitude towards cooperatives through the Constitutional mandate earlier discussed. Now, by enacting the aforesaid bills to implement that mandate, the government rationalizes all government programmes for the development of cooperatives, through the CDA bills; and sets forth the terms of reference for the organization and management of cooperatives in the light of internationally accepted cooperative principles and practices recognised by the World community of cooperatives through the International Cooperative Alliance (ICA), under the proposed Cooperative Code.

28.4 The Constitutional mandate on cooperatives, the CDA Bill and the Cooperative Code Bill collectively define the proper role of the government in the development of cooperatives and it consists of promotion, registration, regulation, and provision of essential services upon request of cooperatives. The aforesaid mandate and proposed legislative measures will serve as the corner stones of a new and meaningful cooperative programme that will expectedly produce lasting results well into the 21st Century and beyond.

ROLE OF GOVERNMENT IN PROMOTING DEVELOPMENT OF COOPERATIVES IN SINGAPORE

ERIC CHEONG*

1. PREAMBLE

1.1 The cooperative concept was introduced to Singapore in 1924 when the Cooperative Societies Ordinance for Straits Settlements (i.e. Singapore, Malacca and Penang) was enacted. It was introduced at a time when money-lending was a roaring business. Wage-earners in the middle and lower income groups at that time could hardly make ends meet because of poor wages and the high cost of living. These workers had no one else to turn to except the unscrupulous money-lenders who charged exorbitant interest rates. The government introduced the cooperative scheme not only to provide facilities for borrowing but at the same time to provide for regular savings.

2. BIRTH OF THE COOPERATIVE MOVEMENT

2.1 With the Cooperative Societies Ordinance enacted, 34 public spirited men got together to form the Singapore Government Servants' Cooperative Thrift and Loan Society Ltd. which was registered on 7 October, 1925. Hence the Movement was started as a result of the spontaneous response of the people then—the people who felt the pressing need to help themselves to overcome the financial problems they were running into.

2.2 The cooperatives were, therefore, initiated with the thrift and credit activities. Today, the credit cooperatives still form the

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bulk of the Movement in Singapore (29 thrift and loan cooperatives out of the 59 cooperatives the Republic of Singapore has).

2.3 As at 31 December 1987, there were 59 cooperative societies/credit unions in Singapore with a total personal membership of 287,092 and a paid-up capital of over \$92 million. They can be classified as follows:

Thrift and Credit	29
Multipurpose	16
Consumer	3
Insurance	1
Producer	1
Transport	1
Medical	1
Investment	1
Housing	1
Service	3
School coops	1
Apex	1

2.4 It must be stressed here that there is no official reservation in the development of cooperatives. The Movement is, indeed, encouraged to progress at its own pace to meet the needs of the people.

3. STATUS OF COOPERATIVES

3.1 Though there is no national policy statement on/relating to cooperatives in the Republic of Singapore and cooperatives are neither specifically represented in the National Parliament nor directly involved as national agencies to implement economic programme, they are given due recognition by the Singapore Government.

3.2 In 1979, the Singapore Parliament passed the Cooperative Societies Rules, 1979, to give the Movement a new lease of life—Singaporean outlook.

3.3 The Registry of Cooperative Societies, a department of the Ministry of Community Development, administers the Cooperative

Societies Rules, 1979, which provide extensive framework for the registration and control of cooperative societies in Singapore.

3.4 As Singapore is a highly urbanised state, the economy is centred on the international trade. Cooperative activity is consequently not a high profile sector and has not been specifically considered in government's economic development plans.

3.5 However, under the legislation cooperatives are represented by the apex organisation, the Singapore National Cooperative Federation Ltd.

4. GOVERNMENT OBJECTIVES OF COOPERATIVE DEVELOPMENT

4.1 Both the government objectives of cooperative development and the development objectives of the cooperatives are synonymous and they are as follows:

- a) to develop a self-reliant and independent Cooperative Movement making it a united, strong and viable economic system; and
- b) to build a strong apex cooperative organisation, capable of providing centralised services to cooperative societies and assuming a greater role in cooperative promotion, development and supervision.

4.2 Cooperatives formulate their policies and objectives when they meet at the Triennial General Assembly (TGA) of the Singapore National Cooperative Federation Ltd. The TGA is attended by delegates appointed by the affiliates themselves. The number of delegates to be registered with the apex body will depend on the membership size of the cooperative concerned.

5. ROLE OF GOVERNMENT

5.1 The role of the government in cooperative development is:

- a) the allocation of funds;
- b) the enactment of cooperative law,
- c) the building of conducive environment for cooperative development,
- d) to provide guidance, and
- e) the supervision of cooperatives.

6. GOVERNMENT SUPPORT AND AID FOR COOPERATIVE DEVELOPMENT

6.1 It is an accepted policy of the government to support the development of cooperatives. The government has encouraged:

- a) the formation of school cooperatives and as such secondary students who are between 12 and 17 years of age are given an Exemption Order by the Minister for Community Development to enable them to join as members;
- b) the introduction of the Loan Default Insurance Scheme to replace suretyship which can be a problem to membership recruitment; and
- c) the formation of a league for credit cooperatives to enable them to pool their resources together for the common good of all.

6.2 The government administers the Central Cooperative Fund (CCF) to which all the cooperatives are required by law to contribute 5% of their annual surpluses. It is through the CCF committee, comprising 3 representatives from the government and two from the Movement, that the allocation of funds is decided annually.

6.3 The following exemptions are extended by the government to cooperatives:

- a) corporation tax;
- b) stamp duties; and
- c) registration fees.

6.4 Singapore has all along been a strong supporter of free trade. The government provides the same treatment to the private, public and cooperative sectors.

6.5 The government does not formulate policies for different sectors of cooperatives and policies for uplifting worker sections of the society with particular role to cooperatives nor does it influence decisions taken by cooperatives.

6.6 As and when circumstances demand, inspections/supervision or an audit is conducted. Statutory returns which are of a monthly

and yearly nature are examined. The recommended measures have helped to improve the programmes of individual cooperatives.

6.7 The cooperatives themselves are responsible for their own audit. The general meeting which is the supreme body of a cooperative society appoints its own auditor to be approved by the Registrar. The Registrar also delegates to the apex cooperative body the power to audit the accounts of cooperatives. Where such audit function is delegated, the Registrar supervises and ensures that such audit is carried out effectively and in accordance with the Act.

6.8 The government is not involved in the selection/recruitment of the officials of cooperatives.

6.9 Following an inquiry by a person appointed by the Registrar, punitive action is taken only when the Registrar is satisfied that the board of directors has not been performing its duties properly and only after having given the Board an opportunity to show cause why action should not be taken to remove them.

7. IMPACT OF GOVERNMENT'S ROLE

7.1 The impact of government's role/involvement in cooperatives has been positive resulting in:

- a) accelerated growth;
- b) development of human resources;
- c) increase in membership;
- d) diversification of cooperatives; and
- e) recognition to cooperative sector.

7.2 However, no research or studies have so far been conducted on special committees appointed to assess the impact of government's role.

8. COOPERATIVE LEGISLATION

8.1 There is a separate legislation for the cooperatives as a whole.

Part II, Section 4(1) (a) — (c) defines a cooperative society as a society

- a) which has as its object the promotion of economic interest of its members in accordance with cooperative principles;
- b) which, while having regard to the economic interests of its members, in accordance with essential cooperative principles, has, as its object, the promotion of the economic interest of the public generally, or any section of the public; or
- c) which is a society established with the object of facilitating the operations of a society referred to in paras (a) and (b) may be registered as a cooperative society under this Act.

8.2 Apart from the definition of a cooperative society, the registering authority may require the applicants to furnish such additional information in regard to the proposed society as the Registrar thinks fit, including

- a) the economic or other need for the formation of the proposed society;
- b) a statement as regards the viability of the activities of the proposed society;
- c) the availability of sufficient capital for the commencement of operations; and
- d) the availability of officers capable of directing and managing the affairs of the proposed society and of keeping such records and accounts of the society as the Registrar may require.

8.3 If the Registrar is satisfied that a society has complied with the provisions of this Act, that its proposed bylaws are not contrary to this Act and that the proposed undertaking of the society is likely to be viable, he shall register the society and its bylaws.

8.4 In every case in which the Registrar refuses to register a society, he shall communicate his decision to the applicants who can consequently appeal to the Minister within two months from the date of such refusal. The decision of the Minister thereon shall be final.

8.5 The cooperative principles are to be mentioned in full and explicitly, but only generally as found in Pt. II Section 4(1) (a) and (b) of the Cooperative Societies Act (see para 2 of this Section on Cooperative Legislation).

8.6 As a safeguard of members' interest, Section 4(2) and Section 4(3) together with Section 102(4) regarding management structure of cooperatives have been incorporated in the Act.

Section 4(2) reads

"Subject to sub-section (4) of Section 102, every society which is registered under subsection (1) shall have the organisational and management structure laid down in Part V unless the Registrar, on registration of the society, considers that an organisational and management structure in the form referred to in sub-section (3) is necessary or desirable for that society and should be so provided for in its by-laws".

Section 4(3) reads

"The bylaws of a society referred to in subsection (2) of a society to which subsection 4 of section 102 applies, may provide for a governing body to be a board of trustees and a committee of management to be a board of directors but, save as aforesaid, the provisions of Part V shall apply to such societies insofar as they are practicable and not inconsistent with their bylaws, and to a board of directors of such societies, as they apply to a committee of management of any other society registered under this Act".

Section 102(4) reads

"A society that is registered under the repealed Cooperative Societies Act shall not be bound to adopt its bylaws in conformity with Part V of this Act if its bylaws provide for a different organisational and management structure from that laid down in Part V"

8.7 The cooperative law envisages the following relationship between the government and the cooperatives:

- | | |
|-------------------------|---|
| a) promotional | — Section 13, 30 |
| b) development oriented | — Section 76, 78(3) |
| c) supportive | — Sections 70 |
| d) regulatory | — Sections 33, 34, 55, 60, 61(4), 67,
— 68, 71, 76-83, 89-100. |

9. GOVERNMENT-COOPERATIVE RELATIONS

9.1 The government has not abolished any particular type of cooperative nor imposed restrictions on their registration.

9.2 The government consults/involves the management in the formulation of cooperative policies, programmes, cooperative laws viz.

- (a) by establishing adhoc committee wherever necessary and,
- (b) by making proposals to individual cooperatives on certain cause of action to be taken.

10. EMPLOYEES REPRESENTATION

10.1 There is no law which confers on an employee representative to get elected as an office-bearer in the national organisation.

10.2 Section 60 on "Eligibility for Membership of Committee of Management" stipulates the following:

- (a) he must be 21 years of age and above except in the; case of a school cooperative society;
- (b) he must be a Singapore citizen except in the case of a non-Singaporean who has to obtain the Registrar's approval;
- (c) he must not be an undischarged bankrupt;
- (d) he must not have been convicted of an offence involving dishonesty or moral turpitude and sentenced to imprisonment;
- (e) he must not have been convicted of an offence under this Act;
- (f) he must not have been dismissed as an employee of a society; and
- (g) he must not be one who has been found to have previously misused or mismanaged the funds of a society.

11. ELECTIONS

11.1 The general meeting by legislation is the supreme authority to conduct elections in a cooperative. Sections 50-65 do provide for a built-in system for democratic management of cooperatives.

11.2 The Chief Executive Officer/Managing Director who is an employee has no right of voting unless he is elected to the

board/management committee. The law allows a person to be the chairman of a cooperative provided he is already a member and is elected as such. President is usually an honorary figure as specified in the bylaws of a cooperative. The law provides for Chairman's office but not President. Chairman is, therefore, to chair meetings.

11.3 The Act does not restrict the term of office for elected members but the bylaws may do so.

12. ROLE OF NATIONAL BODY

12.1 The responsibilities and powers conferred on the national body of cooperatives are as follows:

- (a) to provide, organise and supervise effective centralised services for cooperative education and training, supplies, banking, transport, accounting, audit and such other services as may be necessary for its members (Section 13);
- (b) to furnish information regarding cooperative principles, practices and management and to provide such technical or other information and advice regarding the management of a society (Section 30);
- (c) to give such assistance and technical advice in the formation, organisation and operation of societies as will enable them to comply with the provisions of the Act (Section 76).

13. OFFENCE

13.1 Section 100 of the Act provides for non-compliance with the Law. Under this Act, it shall be an offence if a society or an officer or a member wilfully neglects or refuses to do an act or furnish information required for the purposes of this Act by the Minister, the Registrar or a person duly authorised in that behalf by the Minister or Registrar, as the case may be.

13.2 The society, officer or member of a cooperative society guilty of an offence under this section shall be liable on conviction to a fine not exceeding S\$ 1,000 and in the case of a continuing offence to a fine of S\$ 50 for each during which the offence is continued after conviction.

LOAN RESTRICTION

The Registrar may give his consent for a society to admit some one who is already a member of another cooperative whose primary object is to grant loans to its members. In such a circumstance the member is allowed to apply for loans from only one society.

OFFICE-BEARERS

15.1 Duties, responsibilities and qualifications of office-bearers are spelt out in the following sections:

- 59 – Constitution of Committee of Management.
- 60 – Eligibility for Membership of Committee of Management.
- 61 – Functions of Committee of Management.
- 62 – Meetings of Committee of Management.
- 63 – Liability of Committee of Management.
- 64 – Restrictions relating to honoraria, etc. of Members of Committee of Management.
- 65 – Officers of Society, and Rule 8 - duties of officers of a society.

15.2 Sections 59 and 65 explain the procedure for the selection/election of board of directors/elected office-bearers.

15.3 Members of the management committee/board of directors shall be jointly and severally liable for any loss sustained through failure to exercise prudence and diligence of ordinary men of business through any act which is contrary to the provisions of the Act, the Rules, the bylaws, or the directions of the general meeting. The appointment of a manager shall not absolve the board/committee from its responsibilities for the proper direction of the affairs of the society.

16. CODE OF CONDUCT

16.1 The law does not direct or require the cooperatives to formulate a code of conduct for themselves.

17. HIRING OF STAFF

17.1 The law does not interfere with the hiring of cooperative

staff. The cooperatives select and appoint employees according to their own manpower requirement.

18. COOPERATIVES, POLITICAL PARTIES AND ELECTIONS

18.1 Cooperatives in Singapore do not involve themselves in national/local political elections. They remain neutral. No mention has been made of cooperatives in election manifestoes of political parties.

18.2 Cooperatives have benefited from the party in power by way of (a) state aid and support and (b) exercise of discretionary powers in exempting individual cooperatives and individual cooperators from any provision of the Act.

18.3 The law does not prohibit politicisation of the cooperatives.

19. EDUCATION AND TRAINING

19.1 The government provides indirect support to the apex organisation by allocating funds through the Central Cooperative Fund Committee for the cooperative education and training programmes.

19.2 The apex organisation, the SNCF, draws up its cooperative education and training programmes usually a year in advance and budget is then submitted to the Central Cooperative Fund Committee for its approval. SNCF has to source for lecturers who may/may not be from the Movement.

19.3 Training is conducted for elected officials, general members and full-time staff of cooperative societies depending on the subject. Courses held are of a participative nature except for the computer course which provides hands-on experience.

19.4 At the end of each training course an evaluation is conducted before the attendance certificates are issued.

20. PROPER ROLE OF GOVERNMENT:

20.1 The proper role of government should preferably be:

- (a) creation/building of environment for cooperatives to play their role fully;
- (b) assist building of a self-reliant strong cooperative section to supplement the public and private sectors;
- (c) assisting cooperators to generate and build their own resources;
- (d) assisting cooperatives to build their own management personnel;
- (e) promotion of cooperative values/spirit;
- (f) encouraging development of dedicated cooperative leadership from within the Movement;
- (g) strengthening of cooperative as a system establishing integrated inter-cooperative linkages;
- (h) promotion of democratic participation of members in the decision-making;
- (i) supporting cooperative education and training;
- (j) strengthening power structure within the cooperative framework (transfer of power/responsibility from government to cooperatives);
- (k) building of strong self-reliant apex cooperative organisations.

21. PROMOTION OF COOPERATIVE CHARACTER/VALUES

21.1 The mechanism that has been evolved to protect, preserve and promote the basic character of cooperatives is as follows:

- a) machinery provided in law
- b) legal courts
- c) independent apex organisation, and
- d) arbitration.

21.2 The decision made by the above bodies is binding.

21.3 Should there be any deviation from the cooperative principles by the government or the cooperatives, this could be resolved through appeals made to (a) the Minister for Community Development or (b) the higher courts.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN SRI LANKA

MS K.G.D. WIMALASIRI*

1. HISTORICAL BACKGROUND

1.1 The Cooperative is both an economic and a social institution and an enterprise and a people's movement at one and the same time. As in many other Asian countries, mutual assistance was a feature of the social life of the people of ancient Sri Lanka in such activities as harvesting, building homes, and maintaining irrigation channels. Such forms of rudimentary cooperation have largely waned in the sophisticated villages and towns but still continue in remote rural communities. There was, however, no direct link between such forms of mutual assistance and the Cooperative Movement and the effect of traditional forms of cooperation on the success of the Cooperative Movement in Sri Lanka has not been researched.

1.2 Cooperation as a system of economic organisation was first introduced to Sri Lanka about 1906, and the original cooperatives were legally recognised under the Ceylon Cooperative Credit Ordinance No. 7 of 1911. The growth of the cooperative societies in the early period was slow and time consuming. Cooperation was carried on as a learning process, Government officials playing a vital supporting role in educating and motivating people to set up cooperatives. Although this move was intended to encourage rural people to improve productivity by providing cultivation loans to members as well as non-members, it developed to be a somewhat elitist movement at the village level, since the prerequisite for membership kept the poor uneducated farmers away from it. By the 1930s other types of cooperatives like dairy societies, too, had to be set up.

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1.3 However, following the outbreak of the Second World War, profiteering in consumer goods became rampant in the country. Although food control was introduced in 1942, the supply of essential food stuffs could not be assured to the consumer, and as a remedial measure cooperative stores societies or consumer societies were formed on the initiative of the government. A country wide network of societies was set up in a planned drive of a very intensive character and these societies served for the equitable distribution of essential commodities during a difficult period of scarcity.

1.4 By the end of 1945, there were 4029 stores societies, serving 3.8 million consumers. In this exercise the entire energies of the Cooperative Department had to be devoted for the administration and supervision of these societies. The success of the cooperatives in food distribution during the war encouraged the government to extend the cooperative system to the sphere of production. A scheme to establish Co-operative Agricultural Production and Sales Societies (CAP & S Societies) was launched with a view to providing farmers with credit and inputs and also assisting them to market their produce. The formation of Coconut Cooperative Societies during this period was another important development that took place in the agriculture sector. The government also sponsored other types of societies such as fishermen's and industrial cooperatives. In the postwar years the Cooperative Movement saw a rapid expansion both in membership and type and by 1957 there were 10812 cooperative societies with a membership of 13.7 million.

1.5 However, in the late 1950's it was felt more desirable to meet the economic needs of the rural people through MPCSS which should also be a planning unit for the village, rather than to have single-purpose societies. This was the result of a policy change after a new government was elected to office in April 1956. On the initiative of the government the Department of Cooperative Development, launched a drive to organise MPCSS in the villages and as a result 5053 MPCSS came to be set up throughout the country by the late 1960's. These societies were conceived as units to handle consumer services as well as supply agricultural credit, handle marketing facilities and wherever possible, do labour contracts for the execution of village works. This change in the structure at the village level brought in more members to cooperative societies and served to extend the

functions earlier performed by various single-purpose cooperative societies.

1.6 The Royal Commission appointed by the government under the chairmanship of A.F. Laidlaw in 1968 to examine and recommend measures for strengthening and improving the Cooperative Movement in the country, recommended major structural changes, one of which was the creation of larger and more viable cooperative organisations through a voluntary process of amalgamation. The new societies were expected to be more viable both financially and in managerial capacity. Textile and fisheries cooperative societies too were, likewise, amalgamated to form large primary cooperatives.

2. PRESENT STATUS OF THE COOPERATIVE MOVEMENT

2.1 The present day co-operative structure could be described as a three tiered one, with primary societies at the bottom and secondary and apex societies at the district and national levels. At the beginning of the year 1987 there were 6330 registered primary cooperative societies falling into nearly 15 different types (Annexure I). It is interesting to note that all types of primary societies do not form into secondary level unions, although it should have been the situation where a three tiered structure is in existence. This has resulted in many types of primary societies being affiliated at the national level as apex organisations direct. At present there are eight such national level apex cooperative organisations representing various sectors. The National Cooperative Council of Sri Lanka set up in 1972 is the one national organisation that represents the Cooperative Movement (Annexure II).

2.2 The subject of Cooperation has always been assigned to a Minister of Cabinet rank; but in March, 1986 a separate Ministry of Cooperatives was set up with 3 institutions under it responsible for the supervision and guidance of the Cooperative Movement. The Department of Cooperative Development with the Commissioner & Registrar of Cooperative Societies as its head is mainly responsible for the overall supervision of the Cooperative Movement. While being a friend, philosopher and guide to the Cooperative Movement, the Registrar is entrusted by law with certain statutory powers. He is assisted by a staff of nearly 3000 officials at various levels, who are directly responsible to

see that the cooperatives are run efficiently while rendering the services they are expected to supply to the satisfaction of member and non-member producers and consumers. The Sri Lanka Institute of Cooperative Management which was established 15 years ago provides consultancy services to the Department and the cooperatives in strengthening cooperative societies by improving their management efficiency. During the last 3-4 years a tremendous improvement has been shown especially among the Multi-Purpose Societies owing to the invaluable guidance provided by this institute. The Cooperative Employees Commission, which is a statutory body established under an Act of Parliament in 1972, also functions under the Ministry and is responsible for all matters concerning cooperative employees. It would be observed that the Cooperative Movement in Sri Lanka has been capable enough to draw the attention of successive governments from its inception.

3. STATUS OF COOPERATIVE IN THE NATIONAL ECONOMY

3.1 The Cooperative Movement has consistently played a significant role in the national economy of the country. However, at present, there is no properly enunciated coherent policy with regard to the role expected of the cooperatives by the State. Although the government has recognised the importance of the cooperatives in distributing essential food items during times of crisis and preventing scarcities, there is also no clear cut policy spelled out as to their role in the national economy.

3.2 Since the cooperatives belong neither to the category of public corporations nor of private enterprises, policy makers consider these as voluntary organisations belonging to an intermediate type. It is now believed that cooperatives are organisations which could mitigate the ill effects of capitalism in a private sector dominated economy. Whatever that may be, the main distinguishing feature of cooperatives lies in their voluntary, democratic, non-profit and service orientation. It is equally important to recognise these as organisations of the small man, the small producer and the ordinary consumer. Cooperatives could remove handicaps faced by these categories of people by creating the organisational infrastructure for launching self-help ventures.

3.3 The multi-purpose nature of cooperatives itself has been a

problem in developing activities other than distribution of consumer commodities. Since the multi-purpose concept has proved to be inappropriate to cater to the special needs of the membership, a need has arisen to develop new structures that will respond more rapidly to the needs of farmers, small industrialists and artisans etc., who will, in turn, strengthen the cooperatives with greater participation. In a country like Sri Lanka which is predominantly agricultural, the potential of co-operatives in agricultural development still remains largely untapped. This is also true in the context of a liberalised economic environment, where all forms of price controls and rationing have been removed. The cooperatives should, therefore, become channels for the small producer to receive the necessary raw materials, intermediate inputs, capital goods, credit, technology, management services, training of skills and most important, marketing know-how and marketing services. These functions assume, in fact, greater significance under the liberalised economic environment, where the small producer has to face more fierce competition from the organised domestic sector as well as the foreign supplier.

3.4 Sri Lanka's labour force is growing rapidly each year, adding approximately 140,000 to the existing backlog of unemployment, estimated at 15-17 percent of the employable. It is doubtful whether the organised sector of industry, agriculture, and the services would be capable of absorbing this labour force in full, even during the next decade. The government is making a concerted effort to promote self-employment, as a means of overcoming this problem, and the opportunity is now open to the cooperatives to become the priority candidate for government support by opting to float self-employment ventures to be managed through member co-operatives. If an organisation wishes to become an effective agent of development, it should necessarily merge its development strategy with that of the state and become an active participant in the planning process of the country. The Sri Lanka Ministry of Finance and Planning now works on a Five Year Perspective Plan, articulated through an annual rolling investment plan/programme. This Public Investment Programme maps out the development strategy by determining feasible sectors and projects for which the government provides policy emphasis in a given year. The role of the cooperatives in this process has not been identified as a distinct category so far, but appropriate sectors are motivated to work through cooperatives as far as possible.

3.5 The question may be posed as to what the sectors are in which cooperatives can participate. Undoubtedly, they can participate in practically most sectors, because practically in every sector there is a role for small scale projects involving self-employment. However, it is necessary for the Cooperative Movement to apprise itself of the plans and development strategies of the government in order to participate more effectively in the development process and receive stronger support from the State. The Thrift & Credit Cooperative Societies (TCCS), Movement of Sri Lanka has already proved that the onus to participate rests to a greater extent with the cooperators themselves.

3.6 Positive measures were taken by the leadership to revitalise the TCCS Movement since 1979 and extend its activities in many new directions. The societies have been able to play a key role in the development process of the country in the housing sector, in particular. The National Housing Development Authority (NHDA) which is the implementing agency of the Million Housing Programme, one of the three main development projects of the government, has selected the TCCS for the disbursement of housing loans among the prospective house builders in the rural sub-sectors. This provided a tremendous impetus for the formation of a large number of TCCS primarily for obtaining loans. The upshot of this participation has been a phenomenal growth of TCCS from around 2,000 of domestic housing at the beginning of 1982 to around 5,000 today. While the housing programme has been able to achieve its short-term objectives, it has also helped the Movement to expand too rapidly in too short a period of time.

3.7 It is also encouraging that even under a liberalised economy with encouragement provided to the private sector, the cooperative societies are still depended upon to deliver essential food commodities to the rural poor, and to keep a check on prices charged by private traders, particularly in times of contingencies and civil disturbances. The cooperatives are also deployed as channels of supplying agricultural credit and other inputs to farmers. From the spread and scale of cooperative activity within the national economy it is evident that the cooperatives can play a major role in national planning and the development process, provided some thought could be given to this potential. The positive role of the cooperatives in the development process has not received sufficient attention so that sectorwise, the

cooperatives have not been invited to become a part of either the planning or the implementation process. In this respect there should be horizontal flow of information from the cooperative sector to the other sectors of the economy. Information flows are also of crucial importance in image building. So far the cooperators have only been backroom functionaries and this trend needs to be reversed.

4. STATE ASSISTANCE TO COOPERATIVE SECTOR

4.1 In recent years the government has taken several decisive steps in support of the co-operatives. Two such measures deserve mention here. In late 1984 the government took a decision to refund to co-operative societies all BTT paid in respect of rice, flour and sugar, and almost simultaneously a Cooperative Development (Treasury) Fund was established to provide about Rs. 35 million annually to those societies that are in financial difficulty. Further, since 1980 the government have advanced through the Food Commissioner a total of nearly Rs. 400 million free of interest to the cooperatives for the purchase of essential food items. Such supportive financial measures have, no doubt, proved the sustained interest of the state to maintain and preserve the unique consumer distribution system available throughout the country under cooperatives.

4.2 By the promulgation of Co-operative Laws, the Government has since 1911 given official recognition to cooperative societies as voluntary organisations; and time has proved in practice that there is a genuine need for this kind of organisation. Since the Cooperative Movement in Sri Lanka came into being on the initiative of the government and the fact that the cooperative societies are still being used as an arm for the distribution of consumer goods, specially under various assistance programmes of the government the laws have tended to vest in the government considerable powers of regulating and controlling cooperative societies. Such powers are often construed as "government interference" by cooperators, who consider these to be a violation of cooperative principles in the true sense. The power of the Registrar to nominate directors to the Boards of Management is often deprecated by traditionalists among cooperators. However, should we translate cooperative principles into legal norms, everyone who acts according to the cooperative law will also be acting in accordance with cooperative principles. In this situation

a breach of the accepted norms would entail a breach of the law. Someone has to arbitrate as the management and the general bodies of cooperatives have often been found to be remiss about taking corrective action promptly. This explains why it has become necessary for the Registrar to arbitrate and judge and even to nominate directors also to a board of a cooperative society. This could also be justified only if government assistance has to be extended to cooperatives. Why should financial assistance be extended to cooperatives by the State? Will such assistance be used as a lever to interfere in the cooperatives? Such questions deserve to be examined. Although the policy makers look at the co-operatives as organisations that are neither public nor private, that every government looks upon them as an useful arm in implementing various government policies, cannot be denied.

4.3 Independence could be achieved only if the cooperatives remain to be economically viable units. One would observe that substantial financial support is extended to the cooperatives by way of interest free loans or loans at very low interest rates because the cooperatives need such assistance. In Sri Lanka, essential food commodities are made available to co-operatives by the Food Department at concessional prices leaving adequate margins to be earned on retail sales. There lies the responsibility with the Registrar, to see that such government funds are secured and properly utilised. Multi-purpose cooperatives handling consumer trade move to the verge of collapse as working capital dries up owing to inefficiency, misuse and mismanagement. Gross abuses of this nature have prodded the state machinery to think in terms of strengthening the hand of the Registrar by amending existing legislation from time to time. Provision is made in the Cooperative Law for the Registrar to nominate members to the board of a cooperative society necessarily less than one half of the total number of members of the Committee where he is of the opinion that such nomination is required to ensure efficient management and to see any investments or advances made to a society are secured. Although it is legitimate for those interested in the cooperative principles to entertain fears of the Cooperative Movement being politicised, it may not be necessary to do so if the cooperative principles are observed in their true spirit. In addition, Departmental officers are released to cooperative societies to function as chief executives as and when the necessity arises. Auditing of cooperative societies is

still done by the Department of Cooperative Development under the Registrar. This is one of the major services offered by the government. The annual audit is considered not only as a check on the accuracy of the books of accounts, but also as a management inquiry of its business operations. These audit reports are generally helpful for a society to take remedial measures on various shortcomings.

4.4 Apart from the abovementioned assistance given to cooperatives by the government in the form of loans or grants, services supplied in the field of education are significant. The education and management division of the department has as its main task the planning and successful implementation of educational and training programmes with a variety of objectives depending on the beneficiaries. Member training is meant to create an effective and enthusiastic membership for the development of the Cooperative Movement inasmuch as management training of officials is expected to improve the working efficiency of cooperatives. This division liaises with National Cooperative Council of Sri Lanka and the School of Cooperation, the only education institute under the department to provide training and education facilities and expertise to Boards of Directors, officials and members of the cooperative societies. The Sri Lanka Institute of Cooperative Management too organises together with the Department, training programmes for cooperative employees at all levels on purchasing and assortment policies. This training has had a decisive impact on the liquidity position of the Multi-purpose Cooperative.

5. IMAGE OF COOPERATIVES

5.1 Hot news is often derogatory of public institutions and cooperatives have not been an exception in media publicity. Strongly enough after many decades of cooperative performance the National Press has not been supportive of cooperative efforts. Newspapers usually carry in their headlines, reports of losses, misappropriations, faulty decisions and non-availability of essential food items through the cooperative distribution system. While large losses in public corporations and the private sector would not seem to attract the public eye so much. All the same it is refreshing to note that there is a favourable image, too, especially among the common man. This was revealed when the option was given to the consumers as far back as 1978 to

change their supplier (retailer) under the food rationing scheme. This census showed that less than 10% wished to move out of the cooperatives. Even now, given the same option a change in the preference is hardly likely in spite of the booming private sector trade under the open economy.

5.2 In every developing country the assistance of the government is essential for the development of the Cooperative Movement. On the other hand, if the Cooperative Movement should lean too heavily upon the government for the day-to-day running of the cooperatives, the government could reasonably use such manifest weakness of the Cooperative Movement as a lever to control it rather than serve as a cherished guide, advisor and friend. Hence cooperatives have to be strengthened and developed so that these institutions could stand on their own feet, by creating an awareness of the cardinal principles of self-reliance and democratic control. It is the membership that should take steps to get repugnant law amended or rescinded and governmental interference in the administration of the Cooperative Movement reduced or eliminated. It is also the responsibility of the present day cooperators to create an awareness among the prospective partners of the spirit of true cooperation, which aims at material and moral benefit and the economic and social betterment of its partners.

5.3 Revival of school cooperatives would result in the younger generation of this country gaining practical experience and knowledge of the cooperative ideology and method. It would also help to inculcate in the young the habit of self-help and thrift and teach them the value of eliminating the middlemen in economic transactions. The Department has been successful in its efforts to introduce the subject of 'co-operation' in the school curriculum since 1987. The subject is now taught from Grade 6-11 as a cardinal discipline among the social sciences by which it is anticipated that the future partners of the Cooperative Movement would be made aware of their cooperative responsibilities in the society.

6. COOPERATIVES AND THE POLITICAL PARTY SYSTEM

6.1 The attention paid to the cooperatives by successive governments has been varied. In the policies of certain political parties, which came to power in Sri Lanka. The work of cooperatives

did form a constituent part of the implementation strategies identified by them. For example, during the years 1970-1977 the cooperative system was given a central role in the Five-Year Plan (1972-76) of that government. In an islandwide programme of rural development and the creation of rural employment for youths, that government organised all development activities through projects under Divisional Development Councils and had them managed under cooperatives. Again, the Land Reform Laws of 1972 encouraged the setting up of "Janawasa" (settlement) cooperatives to manage land allocated to the youth. In this situation a great deal of financial and back-up support was provided to these Divisional Development Councils.

6.2 The provision of subsidised food to the poor has been a consistent policy of all governments in Sri Lanka for over four decades, and governments made use of the earlier cooperative stores societies and the present network of multi-purpose co-operative societies to handle the distribution of food to the people living below the poverty line. To these societies various types of assistance have been continually granted, including interest free loans from the Department of Food, special loans and overdraft facilities from the People's Bank and short-term credit extended by public corporations like Cooperative Wholesale Establishment and the Salusala. Of late, the Treasury has allocated a rupees one million revolving grant to be used as loans to MPCs in order to meet urgent working capital requirements of selected societies in order to turn them around.

6.3 Over the years, time and again reference has been made to the cooperative sector in the manifestos of political parties; but this situation has varied from time to time. Although no political party in power has been guilty of direct interference in the cooperative system, certain local pressures in the nomination to Board of Directors, and antipathy shown to Boards of Management having members of opposition parties have not been wanting. The Minister incharge of the co-operatives has invariably acted as a buffer and helped to take decisions equitably and objectively. Any attention paid by Members of Parliament to the cooperatives has been uneven. Favours have been sought in support of societies in their electorates as a part of the local effort of development and as an element of parish pump politics. But these interferences have not in any way affected the work

of the societies or discoloured the working relation between the societies and the state machinery.

6.4 During the last few years the Cooperative Movement has had to face many pressures; of which the bogey or privatization posed a distinct peril. There was a move to privatize the grass-root level organisation available to the village milk producer, under a World Bank Dairy Development Project. As this move was mooted at the expense of the dairy cooperatives, the Minister of Cooperatives and the Ministry and Department officials negotiated at the highest levels to allow the cooperatives to continue operations. Today the village milk producer is left only with the co-operatives for his support.

7. THE ROLE OF THE GOVERNMENT

7.1 The role that should be assigned to the Government in relation to the cooperatives has several facets. These could be described in terms of what is practical, what happens in reality and what the role, in effect, should be.

What is practical?

7.2 It should be the policy of any government to formulate a national policy framework for the operation of cooperatives. In the Third World the need for cooperatives to be set up for the benefit of the under privileged and the small or people's sector requires no emphasis. The National Cooperative Council and the several national level apexes like the Federation of Thrift & Credit Cooperative Societies, the Coconut Producers' Cooperative Society, and the Fisheries Co-operative Union act as spokesmen for the Cooperative Movement and its several sectoral hierarchies. These have a working relation with the state. Their by-laws, sometimes make provision for a few nominees to be appointed by the Registrar.

7.3 The gamut of cooperative legislation is embodied in the Cooperative Societies Law No. 5 of 1972, the Cooperative Regulations created in 1972, the By-laws of individual societies and their Working Rules. The democratic character of the societies has been fully ensured by these laws and rules and democratic control maintained through regular elections to responsible general bodies and Committees of Management (Boards of Directors).

The democratization of societies has been ensured by a provision and no member could own more than 5 percent of the share capital. Similarly, the distribution of surplus is done equitably or in relation to the business every member has done with his society.

7.4 Certain sectors are now being reorganised and strengthened. Dairy Cooperatives, textile co-operative societies, and agricultural cooperatives in newly developing frontier areas as under the Mahaweli areas are being set up or are being organised and strengthened; and the question of setting up of appropriate regional secondaries and national apex is being examined. Exports of cooperative products have been few and far between; although several agro-industrial and processed products handed by the cooperatives have been found to be exportable to markets in Western countries. If this exercise is to be successful there should be cooperation among cooperatives. The National Cooperative Council, in collaboration with the Department of Cooperative Development and the Ministry of Cooperatives has planned to set up a cooperative export division called "COOPTRADE" through which the N.C.C. hopes to obtain the collaboration of the various producer cooperatives which have manufactured products for export. In this way the totality of cooperative endeavour in Sri Lanka has been structured in conformity with the cooperative principles, recognised by the International Cooperative Alliance:

7.5 All the above programmes have been practicable and have been based on the perception of the state on its role as a motivator and promoter of cooperation among people, who wish to group themselves into cooperatives.

7.6 What should be the role of the government in relation to the cooperatives is speculative. Almost in all Third World countries the cooperatives have a specific role to play irrespective of whether the political milieu is extremely right or radically socialist. People are the major beneficiaries of any enterprise like a cooperative whether it is organised for production, distribution, or as beneficiaries of a delivery system. So in any evaluation, cooperatives stand out as the best known grouping system so far devised by man. It is tolerated by every society and every ideology.

ANNEXURE I

NUMBER AND TYPES OF PRIMARY COOPERATIVE SOCIETIES

Serial No.	Type of Society	1982	1983	1984	1985	1986
01	Multi-purpose	290	290	289	286	283
02	Credit	1570	1685	1758	2216	4406
03	Tea, Rubber, Coconut	76	68	70	64	73
04	Dairy	89	101	100	113	154
05	Young Farmers	30	20	22	23	19
06	Animal Husbandry	—	—	—	—	17
07	Other Agricultural	77	49	48	43	50
08	Textile	35	33	32	31	31
09	Fisheries	90	72	74	72	68
10	Small Industries	272	252	193	185	190
11	Schools	1156	994	878	868	775
12	Hospitals	08	09	09	07	07
13	Electorates	69	51	48	48	38
14	Labours	66	67	62	64	57
15	Other Types	163	129	140	173	162
Total		3991	3820	3723	4193	6330

ANNEXURE II

APEX LEVEL COOPERATIVE ORGANIZATIONS

1. National Cooperative Council of Sri Lanka Ltd.
2. Sri Lanka Cooperative Marketing Federation Ltd.
3. Sri Lanka Rubber Cooperative Societies Union Ltd.
4. Sri Lanka Coconut Producers Cooperative Societies Union Ltd.
5. Fisheries Cooperative Federation of Sri Lanka Ltd.
6. Sri Lanka Industries Cooperative Union Ltd.
7. Thrift & Credit Cooperative Federation of Sri Lanka Ltd.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN SRI LANKA

P.E. WEERAMAN*

1. HISTORICAL BACKGROUND

1.1 The Government of Sri Lanka (then the British Colony of Ceylon) took the cue from the Cooperative Societies Act No. 10 of 1904 of the Government of India.

1.2 As a result of a public meeting convened by the Governor of Ceylon, a society called the Ceylon Agricultural Society was formed on 17 October, 1904. Its executive body was called the Board of Agriculture; and from 1906 onwards "a small government grant was given to the Board." The Society "presented to the Ceylon Public Cooperation as a possible solution to some of the villager's problems."¹ As a result of several publications and discussions on Agricultural Cooperation "several societies, inspired by cooperative principles were founded,"¹ in 1906 and after, such as "the Vavuniya Forwarding Agency dealing in cattle and agricultural produce"¹ and one or two other societies in the Southern Province. In 1909 the Governor appointed a Committee of Investigation which came to be called the Agricultural Banks Committee. Its report is "the first important document on the Cooperative Movement of Ceylon."¹ (Sessional Paper VIII of 1910). On the basis of its recommendations an Ordinance, No. 7 of 1911, was passed by the Legislative Council on 5 May, 1911.

¹Paper prepared in ICA ROA basing on the replies to the questionair

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¹The quotations are from "Cooperation: its rise and growth in Ceylon" by G. Kurukulasuriya—a former Principal of the School of Cooperation in Ceylon.

1.3 The Director of Agriculture was appointed to be, in addition to his duties, the Registrar of Cooperative Societies with effect from February 1913. Cooperative Conferences were held in 1914 and 1919. The Cooperative Societies Ordinance provided for only cooperative credit societies. This was amended in 1921 to provide for non-credit and secondary societies as well. By the end of March 1913, there were three registered societies. This number had grown to 690 when a separate Department was created for the Registrar of Cooperative Societies in 1930. When the first Registrar left in 1934 there were 897 societies of which 762 were credit societies of unlimited liability and 32 were Cooperative Unions for supervising the credit societies. There were also three Cooperative Central Banks, in Jaffna, Colombo and Kandy for the Northern, Western and Central Provinces respectively. Now there had come to be a sound though small, Cooperative Movement in the island. The need of cooperative credit societies at that time could be understood from the fact that there was no Ceylonese banks to meet the credit needs of the small-holders of agricultural lands and small business men. The Foreign-owned Exchange Banks catered only to the European businessmen. The small man had to depend on the Chettiar moneylenders who had come from South India and established themselves in Sri Lanka. A very large proportion of the people were "in the hands of their creditor free agents". In the time of the famous Mr. Calvert who had been the Registrar of the giant Punjab, a new Cooperative Societies Ordinance was passed in 1936. Under this law there was in addition to the Registrar's powers and duties of registration, supervision, audit inspection and liquidation of societies, provision for compulsory arbitration in disputes within the societies to the exclusion of the civil courts. Except for this slight inroad into cooperative democracy, "the autonomy of the societies and the powers of the general body of members were safeguarded."

1.4 The World War affected the Ceylon Cooperative Movement significantly in that the people and the government realized most unequivocally that the black market in times of scarcity of goods could be beaten only by the cooperatives. The government, having failed to get scarce goods distributed equitably through the private dealers, Municipal Depots etc decided that cooperative consumers societies should be started on the initiative of the Cooperative Department and with the least delay possible without following the usual practice of registering a cooperative

only after it had proved itself worthy of this recognition by good performance for three years. Through special "drives" for this purpose, 4034 cooperative stores societies were formed between October 1942, and April 1944—only within eighteen months. This success, however, was not without taint. The government got involved in the Movement for its own purposes and not altruistically for the development of a genuine Cooperative Movement. The earliest proof of this was the passing of emergency legislation enabling the Registrar to supersede a Committee of Management or nominate persons to such committee of a Cooperative Stores Societies Union if it was found necessary to do so in order that the supply line of goods would not be broken by a particular society's failure to deliver the goods, both literally and figuratively. This most undemocratic provision in the law was, most unfortunately, incorporated in the substantive law after the War was over, for governments never renounce power! This power, which is a blatant negation of the Cooperative Principle of Democratic Control, was used in the late fifties and thereafter many a time for political ends.

1.5 Another untoward development, but which was unavoidable was the starting of the Wholesale Establishment to ensure supplies to the newly formed Cooperative Stores, because the normal wholesalers were withholding goods from the cooperatives no doubt sensing that the cooperative method spelt the elimination of middleman profit. The new organisation was wrongly called the Cooperative Wholesale Establishment, when it had no cooperative attributes at all. It was so named only because its special function was to supply the cooperative societies with their requirements. It was originally announced that it would be closed down when a genuine Cooperative Wholesale Society was formed; but even when such a society was formed soon after the War ended, the C.W.E. was continued and incorporated and the registration of the C.W.S. was cancelled. Years later a Cooperative Consumers Union was formed but by then the C.W.E. had become the largest trading organisation in the country and the government would not naturally give up such a vehicle of influence. The use of the word "cooperative" in its name would have been illegal but for its name appearing so in the Act that created it. A committee appointed in 1978 to report on the revitalization of the Movement, usually referred to as the Dewanayagam Committee after its Chairman, correctly commented that such misuse "misleads the public, in general, into

believing that it is a cooperative organisation and even worse, that the character of a cooperative is that which obtains in the C.W.E." And when the C.W.E.'s true character is discovered by foreign concerns which have dealings with it, they would suppose that it is this type of organisation that is called a cooperative in Sri Lanka ! "Thus it does a great disservice to the Cooperative Movement of Sri Lanka."

1.6 After the War, agricultural production and sale societies were formed to meet the needs of the agriculturists, mainly the rice cultivators. Beginning with only 47 in 1943 there were 995 societies of this type by December 1957. There were also 42 Coconut Producers' Sale Societies; some of them had desicating and oil extracting mills, eleven of them. At this time, there were one hundred fishermen's cooperatives, 40 dairy owners' societies, 801 handloom weavers' societies and societies of mat-weavers, coir workers, twine workers, potters, carpenters, paddy hullers, and jaggery producers. There were also Rubber Curing and Sale Societies, a Cooperative Citronella Distillery, Cooperative Bakeries, a Cardamom Curing Society, eleven Passengers' Cooperative Transport Societies, ten Cooperative Hospital Societies, a Cooperative Arrack Distillery Society, a Bee-Keepers' Cooperative, a Toddy Tappers' Labour Cooperative Society, one Builders' Cooperative Labour Society, eighteen Housing Cooperative Societies and a few Cooperative Societies of other kinds of producers.

1.7 There were by 1957 twelve Cooperative Provincial or District Banks, the first of which was started in 1929 and the Cooperative Federal Bank of Ceylon, which was started in 1947. There were also 3581 Credit Societies of Unlimited Liability in 1957 "They still formed the hard core of the disciplined Cooperative Movement in the rural area." There were also Credit Societies of Limited Liability, and Thrift Societies most of which were women's societies.

1.8 To add to all this, in 1957 and 1958, there was a drive for Multi-Purpose Cooperatives for small areas of two or three villages. This was done to replace the multiplicity of primary cooperatives that existed in the villages, especially as these societies generally had the same persons as office-bearers. By the end of 1957 there were 3897 MPCS societies and in 1970 there were 4807 of these societies. Unfortunately, the government of that time (1970-77) decided to amalgamate these societies into large units overlooking the fact that social cohesion and mutual knowledge so essential for the success of village coopera-

tives would not obtain in unduly large areas of membership. By Act No. 35 of 1970, the Registrar of Cooperative Societies was given power to amalgamate cooperative societies by Orders published in the Government Gazette. Originally there were three hundred and seventy-two of these gazette-born amalgamated multi-purpose cooperatives, since reduced in number to 283. This was a highly uncooperative step taken by the government of the day and it led to these societies, the most wide-spread type of cooperatives, having as they did a total membership of 22,21,816, becoming distant institutions to the people and virtually adjuncts of the government. The common understanding was that the MPCSSs were taken over by the government. These amalgamated societies are not cooperatives except in name.

1.9 Earlier, in a period of rule by the same party, an even worse development took place. The Cooperative Federal Bank of Ceylon was absorbed by a new commercial bank, called the People's Bank by the Act (29 of 1961) which set it up in 1961. This Act also gave power to the new bank to take over the other cooperative banks. The purposes of the bank as stated in section 5 of that Act are to "develop the Cooperative Movement of Ceylon, rural banking and agricultural credit". The destruction of the flourishing cooperative banking system was not the way to develop the Cooperative Movement. The Act provided for only the government and cooperative societies to hold shares and that in equal measure. The cooperative societies which held shares were given the right to elect three of the eight members of the Board of Directors, whilst the Minister in charge of Cooperatives was to nominate two members and the Commissioner of Cooperative Development-cum-Registrar of Cooperative Societies was to be a member ex-officio. Gradually these provisions were changed; and now the Minister of Finance nominates all the members ! The Dewanayagam Committee has called it "a breach of faith with the cooperators, who gave or were made to give up their genuine cooperative banking system for a commercial bank." This injustice has been aggravated by the cooperatives which are share-holders of the bank not being given a re-appraisal of their shares when the bank's authorised capital was raised from six million rupees to one hundred million, whilst the government's shares were revalued.

1.10 Another grievous wrong done to the Movement by the government was to use the dictatorial power vested in the

Registrar by the above mentioned Act. No. 35 of 1970 to amalgamate the Cooperative Federation of Ceylon which had in its fold over eight thousand cooperative societies with a newly formed body called the National Cooperative Council which had in its membership only nine societies. So, today, the national representative organisation is not a body formed by voluntary association! A new Cooperative Societies Law was passed in 1972 (Act No. 5) giving certain additional powers to the Registrar and by an amendment of 1973 (Act No. 32) further violations have been made, by the government, of Cooperative Principles.

1.11 Early in the day, the Banking Commission of 1934 made a report on the Cooperative Movement as well. They reported that "on the whole the Movement has developed at a good rate and on sound lines." The next study was made by a delegation of the Reserve Bank of India, in 1948. They commented that "the primary societies in Ceylon would appear to work truly on the Raiffeisen model than what has been seen anywhere else." In its conclusion they point out the "broad lessons that she (India) may get from the neighbouring island." The next was a study by a Royal Commission of Inquiry in 1968/69 headed by Dr. A.F. Laidlaw. They commented that "in Ceylon the Cooperative Movement does not, as in many countries, serve a small splinter group in the population. Instead, it serves as the weft of the State's economic warp, funnelling a great part, perhaps thirty per cent, of the total non-plantation agricultural credit to cultivators, playing an important role in the development of small industries and supplying over sixty-five per cent of the population with essential food commodities. Approximately twenty-five per cent of the paddy production at the present time is marketed through cooperative societies." The Commission, however, observed that there is no evidence that there has ever been any comprehensive long-range and sustained planning of cooperative development in Ceylon. "Instead, the Movement has been subjected every few years to abrupt changes in policy and organisation resulting largely from official directives associated with emergency situations and political considerations". The last study, as yet, was made by a Committee appointed by the Minister of Food and Cooperatives in 1978 to report on the extent the objectives of the reorganisation of cooperatives in 1971 had been achieved and to identify some of the main problems and impediments that prevented the cooperatives from functioning effectively as envisaged in that reorganisation, review

the present Cooperative Enactments since 1971 including the Rules and the By-laws and recommend suitable amendments thereto, and, inter alia, examine other aspects that may be considered relevant to the revitalisation and reorganisation of the Cooperative Movement of Sri Lanka. The Committee was headed by a long-standing cooperative leader the Honourable K.W. Dewanayagam, then Minister of Justice. The other members of the Committee were two District Ministers, a leading M.P., the former President of the Cooperative Federal Bank of Ceylon (up to the time of its absorption by the People's Bank) and a former Commissioner of Cooperative Development-cum-Registrar of Cooperatives who was also Regional Director for South-East Asia of the International Cooperative Alliance. The Committee 'in Part I of its Report recommended the role the government should play in Cooperative Development and recommended nineteen specific areas for change. The Committee said that it would await the Minister's reactions to these recommendations before making detailed recommendations. The Committee in its Report "urged the Government to take early steps but steps that are in complete conformity with the Cooperative Principles, to reorganise and revive the Cooperative Movement in such manner that every cooperative society would be a voluntary organisation of the people for the satisfaction of their common economic needs in conformity with the Principles of Cooperation." This recommendation was not intended to cast any reflection on the Credit and Producers' Cooperatives which have been highly commended in the Report, but it points to the government's lack of keenness to develop a genuine Cooperative Movement.

1.12 Briefly Speaking

(a) The Cooperative Movement was started in 1911 by the passing of an Ordinance to give legal recognition to cooperative societies but the first societies were organised in 1912 and three of them were registered in February-March 1913 soon after the appointment of Registrar of Cooperative Societies in February 1913.

(b) The Cooperative Movement was state sponsored but the people were not supposed to form cooperative societies even when there were "Drives" to form Cooperative Stores Societies in 1942-43. The leaders of the Credit Societies that were functioning in the earlier thirty years of cooperative effort readily

undertook the work of spreading the idea of consumer cooperation among the rural folk whilst it was no difficult task for the organisers to induce the towns-folk to organise themselves into consumers' societies. However, the organisation of over four thousand cooperative societies in a period of only eighteen months was "a feat of public endeavour without parallel in Ceylon." The next large scale effort in the field of Cooperation was the formation of Cooperative Agricultural Production and Sale Societies. This idea too was readily accepted by the farmers because they were in need of "crop loans" (to use a term later used by the Rural Credit Survey Committee of India, 1954) on the basis of the credit-worthiness of the work undertaken by the borrower and his personal capability to accomplish the task undertaken for which he needed money. Similarly, the large-scale effort to form multi-purpose cooperatives in 1957 was readily taken up by the people. However, the compulsory amalgamation of these societies in 1970 was not acceptable to the people as evidenced by their withdrawal from active participation in the administration of these societies. Two-thirds of the Board of Directors of each amalgamated society were nominated, and the people did not care to hold General Meetings of the Branches of these societies. They regarded these societies as having been taken over by the government. The amalgamation of these societies by means of law was obviously resorted to because the government knew that mere sponsorship of such a step would not give results as happened when the government's proposals were acceptable to the people.

(c) As regards the reasons and objects of the government to sponsor cooperatives, I believe it was necessary for the British Government of Ceylon to show its sympathy with popular aspirations and try to relieve the poverty of the people. They built up a strong credit movement but frowned on suggestions made to develop a consumer movement, perhaps because the British traders here would have been ultimately hit by such development. By the time of our gaining Independence in 1948, the government had realised the power the people could wield through cooperative societies and that the Cooperative Movement would be a challenge to any political party. So the governments that came to power had one and the same policy towards the cooperatives, viz. to bring it under their control in ever increasing degree as well as to exploit its organisational structure by making it the government's agent for procurement of foodstuffs as well as

the distribution of consumer goods that were in short supply. Thus the weak who had banded themselves together to become strong through a society of their own found that their agent, the society they had formed, was now the agent of the government before which agent the members were now once again solitary persons. The very strength which the people get by acting collectively through their cooperative is undermined by this seeming favour to cooperatives. The government has not shown interest in cooperative function as its agents, such as the producers' societies. Recently the government has shown great interest in Credit Societies in order to get them to disburse the Housing Loans of the Government's Housing Development Authority. This may end up in the hitherto soundest part of the Movement also going the way of the multi-purpose societies.

Progress

1.13 Cooperatives were initiated in Sri Lanka with credit societies of unlimited liability. The present extent of diversification is shown in the following statistics relating to the end of 1986:—

Amalgamated MPCs...283 with a membership of 20,84,798. Their retail trade had a turnover of Rs. 10,954 million (1,095.4 crores).
 Credit.....4406 with a membership of 488,345
 Tea, rubber and coconut producers' societies... 73 with a membership of 11,327.
 Milk Producers' societies... 154 with a membership of 29,758.
 Fishermen's societies... 68 with a membership of 21,464.
 Labour societies... 57 with a membership of 3353.
 School Cooperatives... 775 with a membership of 263,195
 Hospital societies... 7 with a membership of 11,486
 Small Industry societies... 190 with a membership of 24,576
 Textile Weavers' societies... 31 with membership of 61,075
 Young Farmers' societies... 19 with a membership of 2503
 Other types... 267 with a membership of 139,283
 Grand Total... 6,330 societies with a membership of 31,41,163.

1.14 As to the question whether there were official reservations in the development of cooperatives, the answer is "No". But the trend that began in the latter part of the Fifties to nominate some of the Directors of societies that had large clienteles, such as the erstwhile Stores Societies Unions and later the amalgamated

Multi-purpose Societies, show that the government did not hesitate to get control over these societies by nominating directors and thereby preventing the societies from growing to their full stature, for fear that they would be a power to content with, in the political field some day.

2. PRESENT STATUS OF THE COOPERATIVES

2.1 The Constitution of Sri Lanka does not make special mention of the cooperatives.

2.2 There is a separate Ministry of Cooperatives as well as a Department of Cooperative Development under a Commissioner of Cooperative Development-cum-Registrar of Cooperative Societies.

2.3 Sri Lanka has a unitary Constitution but very recently legislation has been passed to give a great deal of autonomy to the Provinces. The subject of Cooperatives has been assigned to the Provinces. Just at the moment of reporting the Movement is threatened with the prospect of being controlled according to nine different concepts of Cooperation.

2.4 As regards any national policy statement, there used to be references to the Cooperative Movement in the Throne Speech at the opening of Parliament in the Sixties but not after the country became a Republic. No inference is intended that the omission is a result of becoming a Republic.

2.5 As to whether cooperatives are discussed in Parliament, the answer is in the affirmative. Cooperatives are a favourite topic of discussion in the Annual Budget Debate. They come in for much comment whenever specific measures affecting cooperatives are brought before the House. Usually the views of the Opposition are in accordance with the tenet of genuine Cooperation, whatever be the political hue of the Opposition. For example those in power now, when in the Opposition opposed provision being made in the People's Bank Act of 1961 for even a single nominee of the government to be on the Board of the Bank but since coming into power in 1977 the law has been changed by them for all members of the Board to be nominated ! Another and recent occasion, was when they discussed about six months ago the dissolution of the National Milk Board and the setting up of a commercial organisation called the MILKO

in its place. I had shown in a newspaper article, several months earlier, how the proposal spelt disaster to the cooperative milk producers' societies. My article was quoted, with many kind references to me, by the Opposition to oppose the Bill. The part played by the Multi-purpose Cooperatives during the riots of July 1983 came in for high praise from all sections of the House. Unfortunately, riding on the wave of this popularity the Minister amended the Cooperative Societies Act to permit cooperative societies to issue goods on credit to traders who were appointed agents of these societies.

2.6 Cooperatives are not represented in the national Parliament nor in any other government body.

2.7 Cooperatives are not represented in any local body.

2.8 As regards the place of cooperatives in the economic planning of the country, cooperatives have never been given any place in this sphere. In drawing up an Agricultural Plan the Minister of Agriculture, who was in charge of cooperatives as well, included the cooperative officials in the body of planners of his Ministry. That was in 1957-58. But that was not repeated by his successors in office nor was that a participation in drawing up a National Plan.

2.9 Consumer services rendered by Multi-purpose Cooperatives become a priority area in times of scarcity and in periods of heavy consumer demand such as festival times. Cooperative Credit Societies have become another priority area for disbursing Housing Loans as explained in para 1.13 above.

3. GOVERNMENT'S OBJECTIVES IN COOPERATIVE DEVELOPMENT

3.1 There are no long-term objectives of the government in regard to cooperative development. However, its immediate purposes are to increase agricultural production and an equitable distribution of essential and scarce food commodities. The long-term object of the government in respect of cooperative development should be to develop self-reliance and faith in democracy, among the people, through participation in the work of the cooperatives.

3.2 As regards the development objectives of the cooperatives themselves, the real development objective of every cooperative should be the development of the human personality. The social and economic betterment of the members is the short-term objective. The government's objectives will pave the way for this.

3.3 The cooperatives formulate their policies themselves in accordance with the expressed wishes of the majority of the members at their general meetings. National Congresses and Conferences are held at irregular intervals.

4. THE ROLE OF THE GOVERNMENT

4.1 The government's role in respect of the Cooperative Movement is promotional primarily as the designation of chief functionary in regard to it indicates, viz. Commissioner of Cooperative Development and Registrar of Cooperative Societies. In the early period, 1911 to 1942, the department's officers went about the people teaching Cooperation like missionaries trying to spread the Gospel. In the Forties, the Department did this again but with little need to preach Cooperation because by then it had gained credence in the rural areas and explaining the system to the townfolk did not need much effort. The leaders of the credit Movement were in the forefront of the campaign for starting consumer societies.

4.2 The corollary of Government's role in promoting cooperative societies is to create a legal environment conducive to cooperative development. This was done in the early stages with very little contravention of Cooperative Principles. The Registrar's approval was required only regarding certain financial matters; and obviously the government made itself responsible for the proper administration of the finances as implied by the requirement to obtain the Registrar's prior approval in matters of borrowing from non-members and the investment of the societies' funds. After Independence, the Registrar was clothed with power to intervene in the entire administration of the societies. This power was not only contrary to the very principles which it was legally obligatory on the cooperatives to conform to upon registration, but it was used for political advantage by certain Ministers.

4.3 The government's role as the guide, philosopher and friend of the Movement is being gradually forgotten. Instead, the

Department's duty seems to be that of a policeman. The days when the village folk spoke frankly to the cooperative official and came out with all their woes including very confidential matters and trusted him to take necessary steps on their behalf are over. That real bond of mutual trust is no more.

4.4 The Cooperative Department continues to give guidance in the keeping of books etc. It provides cooperative education through its School of Cooperation to its Inspectors whilst the National Cooperative Council runs District Education Centres for the cooperative education and training of the employees of the cooperative societies.

4.5 A levy of ten per cent of the net profits of societies is made into a fund called 'The Cooperative Fund' for giving assistance to cooperative societies and meeting the costs of cooperative education and propaganda. The Fund is to be administered by the Registrar. Although the Fund consists of monies collected from cooperative societies and is meant to be used for their purposes only, the Fund is being used to meet other expenses, related to the Cooperative Movement, also. The Registrar, as enjoined to do by the Law, provides the cooperatives with an annual audit.

5. GOVERNMENT SUPPORT AND AID FOR COOPERATIVE DEVELOPMENT

5.1 It is an accepted policy of the government to support the development of cooperatives and the support has increased gradually. At the beginning Cooperation was a sideline of the Department of Agriculture. In 1930 a separate department was started for developing the Cooperative Movement. When the country was given a new Constitution in 1931 under which the people were given internal self-government, Cooperation was recognised as a subject of the Ministry of Agriculture. After the War and Independence, in 1948, cooperatives were specifically mentioned in the name of the Ministry concerned, viz., the Ministry of Food and Cooperative Undertakings. Thereafter, many a Throne Speech read by the Governor-General outlining the government's policy at the opening of a session of Parliament indicated great concern for the development of the Movement. But in 1970 the Government went beyond its proper role by taking legal power to amalgamate cooperative societies by the

Registrar's order published in the Government Gazette. This changed the understanding of the public in regard to cooperatives. From being regarded as independent and democratically controlled organisations of the people they became, in the eyes of the people, more adjuncts of the State. This power has not been used in respect of Credit Societies and Producers' Societies but as the Multipurpose societies are the most widespread, the forcible amalgamation of five thousand Multi-purpose Societies into three hundred has made all cooperatives to be regarded by the people as adjuncts of the government. This was a severe blow to the gradual progress of the Movement in spite of a certain degree of political interference in previous years. This forcible amalgamation paved the way for government domination of the multipurpose societies making them no more than agents of the governments. This proved a severe set-back to the Movement. The only silver lining in the dark cloud is the creation of separate Ministry of Cooperatives in 1986, when the Sri Lanka Movement was seventy-five years old. But there is no evidence yet that the government desires real improvement, the way to which has been shown by the Dewanayagam Committee, mentioned earlier.

5.2 The methods of government assistance to cooperatives are as follows:

- (i) the enactment of laws to register cooperatives and give them necessary privileges. This assistance has been diluted by the passing of laws that provide for forcible amalgamation and power to nominate directors, power to compel societies to admit persons to their membership, and last but not least, authorise cooperatives to give goods on credit to traders who function as their agents for the distribution of goods,
- (ii) the imparting of cooperative education and training,
- (iii) providing periodical audits.

5.3 The government does not give contributions to share capital. It never gave. The Sri Lanka Government nor the Sri Lanka Movement never entertained this most uncooperative idea. As explained in the ICA's book entitled "Indian Cooperative Laws vis-a-vis Cooperative Principles" the State cannot become a share-holder of a cooperative. Fortunately no other country has misled by this departure from accepted principles. Jawaharlal

Nehru lost no time in criticising this step taken at the instance of All-India Rural Credit Survey Committee Report of 1954, saying "this is not Cooperation whatever else it might be". I am repeating this lest the ICA overlooks this serious flaw in the Indian practice and recommends its adoption by other national Cooperative Movements in Asia. Today people overlook the importance of adhering to principles. I remember someone at a cooperative conference in New Delhi saying that the idea of State participation in share capital was the great contribution India had made to Cooperative Thought! Of course, the ICA representatives present made short shrift of that assertion.

5.3.1 The government does not give grants or subsidies to cooperatives. Although cooperatives have to borrow normally from the People's Bank, the government has lent money from other Funds to cooperatives for purposes of consumer distribution, in special circumstances. None of these have been later converted to grants or subsidies. In the matter of loans for agricultural purposes, the Central Bank has given a guarantee of making good any loss by failure to recover dues up to seventy-five percent of every loan by a cooperative society.

5.4 Government Exemptions

5.4.1 Time was when cooperatives were exempt from all taxes and duties levied locally. In the 1960s cooperatives engaged in the trades of "printer, publisher, transporter and distiller" were made liable to pay income-tax. In about 1970, all cooperatives were made liable to income-tax. This was a gross misdirection because cooperatives have to pass on their profits to the members in an equitable manner so that no one gains at the expense of another. "Profits" in cooperatives are really overcharges from customers in the case of consumer goods or under-payments in the case of sales of members' produce. It should be open to the government to tax any member's income only. It would be fair to tax profits that remain undistributed for over a given time, say six months, and even the profits made by dealing with non-members. These two provisions will induce the cooperative societies to keep on the cooperative rails. In Sweden, income-tax is levied only on producers' societies as the "profits" of consumer societies consist of the moneys paid for their purchases by customers in excess of actual costs and are not profits received from any one else. Such profits are monies already

owned by the customers out of which they have paid for their purchases and any overpayment in this regard is what is wrongly termed Profit. In the case of producers' societies, the "profit" is the amount of the underpayment shown as due to the members upon selling their produce to the outside world. The better thing to be done here too would be to allow the distribution of all profit and then to tax any person who becomes liable to such tax.

5.4.2 No fee is charged for registration of societies. No stamp duty is payable by cooperatives on documents executed by them.

5.5 Government support to cooperatives

5.5.1 Government's support to the Cooperatives is confined to funding Multi-purpose Cooperative Societies for effecting the distribution of consumer goods that are in short supply, besides paying compliments to the Movement whenever a difficult period of scarcity has been tided over. Though the cooperative societies give the bulk of the patronage received by the People's Bank and the Cooperative Wholesale Establishment no acknowledgement is officially made of this except that the People's Bank makes an annual donation to the Cooperative Fund mentioned in para 4 above. The Cooperative Wholesale Establishment whilst calling itself a "cooperative", which, as I have explained in paragraph 1, is not qualified to call itself so, has opened numerous retail shops of its own and is just now launching a major scale "offensive"—to use language which we are now getting used to, as a result of terrorism in this island—to start retail shops practically everywhere in the country, naturally in competition with the cooperatives to which it owes its beginning as well as its "respectability" in the foreign market by virtue of its name containing the word "cooperative"!

5.6 Building a conducive environment for the development and functioning of cooperatives

5.6.1 More important than all the ways indicated in para 5.6, of building an environment conducive to the development and functioning of cooperatives is the passing of legislation that would enable cooperatives to function with juristic personality and in accordance with their special character. Legislation passed when we were under the British was more conducive to cooperative

development than that passed after Independence as I have mentioned later in para 6.4.

5.6.2 It is pertinent to note that the government influences decisions taken by cooperatives by nominating persons to the committees of Multi-purpose Societies. In fact even if there is only one such nominee on the committee of a society, his views are generally conformed to. Though every MPCS formed by amalgamation, after the Act (No. 35 of 1970) authorising this, had a Board of Directors of whom two-thirds were government nominees—then every decision of such body was influenced by the government generally if not specifically—today there are only a few MPCS societies which have been subjected to this power of nomination. Today, under the law (section 66 A) “the number of such nominated members shall be less than half of the total number of members of such Committee.”

5.6.3 The amalgamation (under the same law) of the Cooperative Federation of Ceylon with a mushroom organisation called the National Cooperative Council was also done in order that the Government of the day may influence the decisions of that body. This has been pointed out earlier under the historical background.

5.7 In regard to scrutiny of the working of the cooperatives by the government, it may be stated that the audits are done by the Registrar's officers and inspections are made by them fairly regularly. Performance Reports are made by the MPCS societies to the Department of Cooperative Development. The other societies are not required to submit such reports. Most of the large producer societies have their audits done by public auditors approved by the Registrar. The Government does not lay down norms for cooperatives just as it cannot for companies. It can lay down norms for State-owned corporations and I believe it does so.

5.7.1 Audits, inspections and supervisions are not as regular as they should be due to the lack of an adequate staff for this purpose. These services have always improved the performance of the societies. It has to be pointed out that it is only the Multi-purpose Societies that function like government adjuncts. The majority of the other societies are independent of government management and are as cooperative in character as the Law provides.

5.7.2 The Department of Cooperative Development is too often called upon to perform services in the public interest but which are not their legitimate duties. This results in much of its regular duties getting delayed. Cooperative Inspectors are sent on ad hoc jobs like supervising the issue of cloth of rations in times of emergency.

5.8 Audit is the responsibility of the government. Under the law "the Registrar shall audit or cause to be audited by some person authorised by him...the accounts of every registered society once at least in every year." The large societies are allowed to get their accounts audited by Public Auditors approved by the Registrar.

5.9 The government is not involved in the selection or recruitment of the officials of the cooperatives. The Registrar has the power to suspend, interdict and remove any officer or employee of any registered society. The Cooperative Employees Commission has the power to lay down methods of recruitment and conditions of employment of employees, including paid officers, of cooperative societies, and to conduct examinations for recruitment of persons for employment in cooperative societies, to determine the qualifications necessary for appointment to any such post, to fix scales of salaries attached to such posts in consultation with the Commissioner, to determine the remuneration and conditions of service of cooperative employees, to determine the procedure to be followed by any society in taking disciplinary action against its employees and to hear appeals arising out of such action. This has been set up by Act No. 12 of 1972.

5.10 Government's power to suspend/supersede committees

5.10.1 Under section 48(1) of the Cooperative Societies Law No. 5 of 1972 the Registrar may, after hearing the Committee of a society, whose duties have been found, at an inquiry or inspection, not to have been performed properly, dissolve the Committee and direct that the affairs of that society be managed and administered by a suitable person or persons for a period not exceeding four years. Such appointed directors may exercise all the powers of a duly constituted committee.

5.10.2 This is the power that gradually politicised the Movement. Ministers sought to supersede committees without adequate

reason as with the ulterior object of rewarding political supporters by placing them in these important positions, without regard to whether such persons were men of proven ability and cooperative experience. As mentioned by me in the sub-para 1.4 of paragraph 1, this was a most undemocratic measure. It became necessary during the War but it should not have been incorporated later into the permanent law.

5.11 The share of cooperative business in the total national business.

5.11.1 This may not have been studied by the Central Bank of Sri Lanka. The Multi-purpose Cooperatives serve about 85 per cent of ration supply of subsidised goods to persons of the low income group, i.e. those families which earn less than Rs. 600/- a month. These societies are the largest suppliers of rice, flour, sugar, kerosene in the rural areas. They also supply a fair amount of the textiles required in the countryside.

5.11.2 On the producer side, the Cooperative Coconut Producers' Societies produced a large percentage of the desiccated coconut that was exported and their Union at one time even dominated the market, its prices being taken as the standard prices for coconut products. That was in the Forties, when there was a quota system for exports and the Union had the largest share of it. There are, besides coconut, societies of tea producers, rubber producers and a national union of small industries, which manufactures and sells both locally and abroad rubberised coir mattresses of very high quality. This union was perhaps the earliest in this field and still continues to be ahead of the others.

6. IMPACT OF GOVERNMENT'S ROLE

6.1 On the whole, since 1970 the impact of the Government role has been very damaging to the fair name of Cooperation. The forcible amalgamation of multi-purpose cooperatives and the National Federation of eight thousand societies with a newly formed so called National Council of just nine societies without any rhyme or reason and the forcible amalgamation of the Consumers' and Agricultural Producers Union to form a society called the Marketing Federation (MARKFED) have shaken the trust which cooperators had in the government's bona fides.

These aberrations were committed by the government which ruled from 1970 to 1977. The present government which followed has taken no steps to rectify these and other errors pointed out in the Dewanayagam Committee's Report presented to it in early 1979, eight years ago, in spite of four out of its six members having been members of the government or closely connected with it. Although the clientele of the Multi-purpose Societies may have increased, the participation in the management of the societies decreased in these societies; and these are societies reaching the greater part of the population. The negative impact of these errors is that these societies are dependent on the government and the CWE for credit as and when required to implement the duties imposed on them by the government such as carrying buffer stocks.

6.2 Most people learn of Cooperation from what they see. So the general impression is that cooperatives are agencies of the government. The members of the Credit and Producers' societies are not taken to be agents of the government but their membership is not large enough to correct the image created by the MPCSSs, with which the majority of the people have contact and, therefore, from whose activities they form their concept of Cooperation.

6.3 The systems of nomination and forcible amalgamation introduced by the 1970-1977 government naturally made the cooperative leaders to withdraw from the Movement; and new people who had no understanding of Cooperation except from what they saw took the places of the erstwhile leaders gladly accepting nomination as personal recognition and forcible amalgamation as an act above reproach. Gradually the people appear to be learning that the new system is not Cooperation. Nominations were made of persons who were important locally for political purposes. Even the succeeding (the present) government continued this vicious system for about three years and gradually stopped nominating persons to cooperative directorates. Today there are only a very few societies functioning with nominated chairmen or directors. Politicisation of cooperatives is now on the wane.

6.4 As regards member sovereignty, it is practically fully eroded in the case of the MPCSSs but quite the opposite in the case of the Producers' Societies and the Credit Societies which have

not joined the Housing Loans Scheme of the National Housing Authority. The member sovereignty of the Credit Societies which have become agents of the National Housing Authority is in jeopardy or rather has been compromised very seriously.

6.5 There is practically no initiative taken by the people in respect of the MPCSS. The initiative of the members of the other cooperatives has not been impaired.

6.6 Cooperative Principles are virtually a joke to the majority of cooperative departmental officials, not because they have no understanding of them or do not value them but because these Principles are honoured in the breach by the Law and by the authorities who should honour them. The authorities talk big of making profits, in spite of most of it being middleman profit.

6.7 No research studies have been done to assess the impact of government's role.

7. COOPERATIVE LEGISLATION

7.1 There is a separate law for cooperatives, viz. The Cooperative Societies Law, Act No. 5 of 1972. Two other laws obtain relating to cooperatives, viz. Act No. 34 of 1970 removing certain legal difficulties that had arisen as a result of acting under emergency legislation; and Act No. 35 of 1970 making special provisions for dissolving and amalgamating cooperative societies. The latter two Acts are not of much importance now, although the power given to the Registrar by the last mentioned Act is too dangerous to the Movement to be kept in the statute book. The principal law is the Cooperative Societies Law, Act No. 5 of 1972 as amended by Act No. 32 of 1983. It applies to all cooperatives. There is no separate law for any different group of cooperatives.

7.2 The Law defines the types of societies that may be registered as cooperative societies. Section 3 of the Cooperative Societies Law defines these as follows:—

- (a) a society which has its object the promotion of the economic, social or cultural interests of its members in accordance with cooperative principles;
- (b) a society established with the object of facilitating the

operations of a society referred to in paragraph (a) above;

- (c) a society consisting of registered societies as members established for the purpose of providing cooperative education and training, advisory services to cooperative societies in Sri Lanka and other services for the promotion of the Cooperative Movement of Sri Lanka;
- (d) a society consisting of registered societies as members established for the purpose of planning, coordinating, and facilitating the activities of such cooperative societies in Sri Lanka or any part thereof as are engaged in marketing, industry, agriculture, fisheries or in such other activity as may be approved by the Registrar.

The definition of a cooperative society is as given in clause (a) above.

7.3 The pre-conditions for registering a society as a cooperative society are:—

- (i) It should fall into any one of the categories mentioned under 7.2 above.
- (ii) If the society is one of limited liability no member other than a registered society may hold more than one-fifth of the share capital of the society;
- (iii) the society seeking registration should consist of at least ten persons who are above the age of eighteen years and each of them should either reside or be employed or own immovable property within the proposed area of operations of the society;
- (iv) the word "limited" or its equivalent in Sinhala or Tamil should form part of the name of every society with limited liability;
- (v) If the society seeking registration is one falling into category (d) mentioned in paragraph 7.2 any activity other than marketing, industry, agriculture or fisheries should have the Registrar's approval;
- (vi) If the society is one of individual persons only the application

for registration should be signed by at least ten persons qualified to be members as stated under (iii) above;

- (vii) If the society seeking registration is one consisting of only registered societies the application should be signed by authorized persons on behalf of every such society;
- (viii) If the society consists of registered societies and individuals, the application for registration should be signed by all such societies and at least ten individual members or by all individual members if they number less than ten;
- (ix) The Registrar should be satisfied that the activity in which the society proposes to engage is economically feasible;
- (x) The Registrar has to be satisfied that the applicant society's proposed bylaws are not contrary to the Law and the Rules framed thereunder.

7.4 The Law does not incorporate the Cooperative Principles as adopted by the ICA; but it recognises these principles in Section 3(a) as shown under para 7.2 above.

7.5 The following sections of the Law are not in conformity with the Principles:—

- (i) Section 3(i) (a) (vide 7.2a) make it possible to have a cooperative society for the promotion of only the cultural interests of its members whereas the ICA in its Article 8 says that a cooperative society's object should be "the economic and social betterment of its members."
- (ii) Under Section 3(1)(d) only societies "engaged in marketing, industry, agriculture, fisheries or in such activity as may be approved by the Registrar" may be assisted by cooperative societies which have established for planning, coordinating and facilitating the activities of such cooperative societies. This subjection to the Registrar's approval is a violation of the Principle of Democratic Control.
- (iii) Section 9(1) contravenes the Principle of Democratic Control by laying down that a registered society may divide itself only with the prior approval of the Registrar.

- (iv) Section 9(2) violates the Democratic Principle by laying down that registered societies may amalgamate only with the Registrar's prior approval.
- (v) Section 22(1) empowers the Minister to direct any producer to sell his produce or products to or through a particular society. This compulsion to deal with a cooperative society is contrary to the Cooperative Principle of Voluntary Association and also violates the Principle of Elimination of middleman profit embodied in the Principle of Limited Interest on Capital and the Principle of Equitable Division of the Surplus by authorising a cooperative society to deal with non-members and thereby make middleman profit.
- (vi) Section 33 provides that the Registrar's prior approval should be obtained for acquiring, taking on lease, selling, mortgaging, leasing, exchanging or otherwise disposing of any immovable property or any movable property specified in the Rules. This is a violation of the Principle of Democratic Control.
- (vii) Section 39(1) provides that with the approval of the Registrar and on conditions prescribed by him any registered society may make loans to another registered society and supply goods on credit to a trader who has been appointed an agent of the society. This violates the Principle of Democratic Control in that the Registrar's approval has to be obtained. It also violates the spirit of Cooperation by allowing a middleman to be appointed to function as the agent of a cooperative society. The profit made by such trader would not be divisible among the members to the extent of their patronage. Thus a middleman is introduced into the very system that seeks to eliminate middlemen.
- (viii) Section 39(2): The Registrar's permission is required to lend money on the security of any movable property other than agricultural produce. This is a contravention of the Principle of Democratic Control.
- (ix) Section 40(1) provides that the Rules may prescribe conditions under which a society may receive deposits and loans from non-members. This is a violation of the Principle of Democratic Control. The General Meeting of the society should have full power in this regard.

- (x) Section 42(1). A society may invest its funds in the shares or on the security of any other registered society approved for this purpose by the Registrar. This is a violation of the Democratic Principle. A society should have the full right to do this on its own.
- (xi) Section 43(1) lays down that a minimum of 25% of the net profit shall be transferred to the reserve fund of the society. The General Meeting of a society should have the right to fix the amount. This is a violation of the Principle of Democratic Control.
- (xii) Section 43(2) (a) gives power to the Minister to prescribe through Rules the maximum rate at which dividends may be paid on share capital to the members. The General Meeting should have the power and the responsibility of deciding this. This is another violation of the Principle of Democratic Control.
- (xiii) Section 43(3) gives the Registrar power to approve the distribution of profit in a society of unlimited liability. This is a violation of the Principle of Democratic Control. The bylaws of the society concerned should lay down the conditions under which such distribution of profit may be made.
- (xiv) Section 43(1) and (4) (b) empower the Registrar to dissolve the Committee of a registered society and appoint persons to manage and administer its affairs with the powers of the Committee and such powers of the general body as are necessary in the interest of the efficient management of its affairs "to the exclusion of such general body".

Needless to say, this is gross violation of the Principle of Democratic Control. It is only the society's General Meeting that could dissolve its committee. The society's bylaws may provide power to the General Meeting to request the Registrar to appoint a Committee to manage the affairs of the society for a given period and in such case such a request would be in accordance with the Principle of Democratic Control. Yet, unless the Cooperative Law provides power to the Registrar's powers to act on the powers given him by bylaws which have been given legal force by

his own act of registering them. Of course, there is no such provision in the Cooperative Societies. Law of Sri Lanka.

- (xv) Section 48(10) empowers the Registrar to suspend a Committee for six months pending the completion of an inquiry and to appoint "an interim board to manage and administer the affairs of a society". This provision too is a violation of the Democratic Principle.
- (xvi) Section 48A empowers the Registrar to suspend or interdict an officer or employee of a cooperative society, after an inquiry, inspection or investigation of the affairs of that society, pending an inquiry, into the officer or employee's fitness or ability to discharge his duties efficiently and after such inquiry, remove such officer or employee from office. This provision too is a violation of the Democratic Principle.
- (xvii) Section 58(1) says that certain disputes shall be referred to the Registrar for decision. A cooperative society should be free to refer its disputes to the Courts of law or to arbitration by consent. Compelling a cooperative society to refer its disputes to the Registrar is a violation of the society's democratic right to act as it pleases just like any other group of citizens could or would. Therefore, this compulsion violates the Cooperative Principle of Democratic Control.
- (xviii) Section 60(1) gives power to the Registrar to decide an appeal against the refusal of a cooperative society to admit a person to its membership. This is a gross violation of the Principle of Voluntary Association, which means, to quote Calvert, "the freedom to choose with whom they will associate and freedom to correct the choice or to withdraw" for both the person seeking to join the society as well as the society which he seeks to join. The freedom to choose "means the freedom to decide whether a person should be admitted to the society or not; and "the freedom to correct the choice" means the right of the society to expel a person who has been admitted. Similarly, a person joining a cooperative society should do so only of his own free will and not, because he is compelled by a person or circumstances to join it even if he is averse to taking that step. Similarly, a person who has been admitted to a cooperative society has the right to leave the society, subject

of course to any obligations he has voluntarily incurred in terms of the bylaws of the society. This section of the Law is a serious infringement of the first principle of Cooperation upon conforming to which depends the success of the cooperative effort. Compelling a society to admit a person casts upon the Registrar the moral responsibility to answer for any untoward happening in the society as a result of the admission made under compulsion. But there is no legal responsibility cast by the law on the Registrar for misdirecting himself. So, his is power without responsibility, which no democratic society in general would agree to submit to. It is axiomatic that the members know best what their interests are, as has so often been pointed out in the ICA Principles Commission Report. A survey of appeals made to the Registrars in India which was carried out about fifteen years ago showed that the Registrars had in all cases upheld the refusals to admit, as such refusals had been justifiable. The inclusion of this section in our law has been made, apparently, due to an inordinate fear that people might be deprived of membership unjustifiably especially in the societies dealing with consumer distribution or the fear that cooperatives might come under the control of cliques of the membership who might discriminate against persons, who are opposed to them politically or otherwise, violating the Principle of Open Membership thereby. But the way to ensure conformity to one Principle is not by violating another Principle. The impropriety of such action is heightened by the fact that the society is compelled by an Order of the Registrar to do something to admit a person into its fold. This compulsion is a violation of the Democratic Principle in a big way for it is not merely a restriction but a compulsion. This provision has apparently been made under the mistaken notion that cooperatives are adjuncts of the State and no independent bodies like other trading bodies such as companies. Just as much as private commercial companies cannot be compelled to enrol persons against their wishes, cooperative societies, which too are private bodies engaged in satisfying the common economic needs of their members, cannot be compelled to enrol persons whom even their general bodies disapprove of. The only remedy open to a person who has been refused membership is to get his application reviewed by the general meeting through a member; and that cannot

be difficult for anyone whose character and conduct are generally well thought of. Cooperation is the antithesis of compulsion and legal provisions which are antithetic to Cooperation should not be contained in Cooperative Laws.

(xix) Section 61(2) gives power to the Minister to make Rules in regard to the following matters, quite in violation of the Principle of Democratic Control:—

- (b) conditions to be complied with in applying for membership and the payments to be made before exercising the rights of membership. (These are matters which should be stated in the bylaws of the societies.)
- (c) the withdrawal and expulsion of members and the liabilities of past members. (These too are matters for the bylaws.)
- (d) limiting the number of members of a society. (This is a matter for the bylaws.)
- (f) the maximum number of shares which a member may hold. (This is a matter for the bylaws.)
- (g) conditions for loans to members; — (a matter for the bylaws.)
- (h) the conditions for distributing profits to members of unlimited liability societies; and the maximum rate of dividend. (These are matters for the bylaws.)
- (i) the manner in which funds may be raised by shares or debentures. (A matter for the bylaws.)
- (j) general meetings of members and procedure at such meetings and the powers to be exercised by such meetings. (matters for the bylaws)
- (k) the appointment, suspension and removal of committee members and other officers; the procedure at committee meetings; the powers and duties of committee members and other officers. (matters for the bylaws)

- (j) disqualifications for membership of the committee of management, regional committee or branch committee. (matters for the bylaws)

- (r) the formation and maintenance of reserve fund, their objects and the investments of such funds. (matters for the bylaws)

The Cooperative Employees' Commission Act No. 12 of 1972, is another violation of the Cooperative Principle of Democratic Control vide para 5.10 above.

7.6 The relationship envisaged by the law between the government and the cooperatives.

7.6.1 The present law is entitled "A Law to provide for the Development of Cooperative Societies and to consolidate and amend the law relating to the Constitution and Control of Cooperative Societies and to provide for matters connected therewith and incidental thereto." This shows that the government wishes to develop the Cooperative Movement. However, the provisions of the Law show that the relationship between the government and the cooperative societies is a regulatory one. The numerous inroads into cooperative democracy (vide. para 7.4 above) show that the government does not aim at promoting the growth of a genuine Cooperative Movement.

7.6.2 Far from the promotion of a genuine Cooperative Movement, the recent amendment (No. 13) to the Sri Lankan Constitution has provided the transfer of the subject of Cooperative Societies to the Provincial Governments that are to be formed. But the subject of commercial companies will not be so transferred ! Both are business undertakings and should therefore be accorded the same treatment. If there is any reason why companies should not be subjected to varied treatment, there is greater reason why the treatment accorded to an international Movement should not be open to varied treatment by nine different provincial governments, in this small country. The ICA's book on "Indian Cooperative Laws vis-a-vis Cooperative Principles" has shown the need to have a uniform law for cooperatives even for India as a whole, notwithstanding the fact that each State of India is as big as any small country, e.g. Sri Lanka.

8. GOVERNMENT VIS-A-VIS PARTICULAR TYPES OF COOPERATIVES

8.1 The Government has never abolished any particular type of cooperative nor put restrictions on their registration but its attitude to certain types has varied from time to time. Originally Credit Societies were the only societies provided for in the law. Ten years later (1921) non-credit and secondary societies also were provided for in the law. Consumers' Societies were allowed only for the large estates and that with provision for intensive supervision by the managements of those estates. However, this variety was fostered by the government when a countrywide need and demand arose for them in 1942 as a result of the island coming into the front line of the World War when Japan entered the War and attacked our country. Similarly, after the War, the government fostered the growth of Agricultural Production and Sale Societies to help to increase food production. Then in 1957 the government fostered the growth of Multi-purpose Cooperative Societies. From then onwards till about 1986 the Credit Societies received practically no attention from the government. The introduction of a scheme of giving National Housing Development Authority loans through cooperative credit societies has given the latter a boost which is not of any real cooperative value.

9. INVOLVEMENT OF THE COOPERATIVE MOVEMENT IN FORMULATING COOPERATIVE POLICIES, PROGRAMMES AND LAWS

9.1 The cooperatives are not represented on planning bodies. There has been an Advisory Committee on Cooperatives since 1980 but it has not been consulted on every important measure affecting the character of the Movement; e.g. the amendment of the Law in 1983 by which several uncooperative provisions were introduced into the Cooperative Societies Law. The Chairman of the Committee has been nominated by the Minister. The Vice-Chairman has been elected by the members of the Committee. All the members have been nominated by the Minister. The committee consists of many experienced cooperators such as the Chairman who has been long in the Movement and was a Vice-President of the erstwhile Cooperative Federation of Ceylon (the Honourable K.W. Dewanayagam, Minister of Home Affairs), the Vice-Chairman who served in the Cooperative Department for over twenty years of which seven were as Commissioner

and Registrar and later for nine years as Regional Director for South-East Asia of the international Cooperative Alliance (Mr P.E. Weeraman), the last Chairman of the Cooperative Federal Bank of Ceylon, (Mr. R.H.De Mel), a former President of the Cooperative Federation of Ceylon Mr. D.E. Hettiarachchi), a former President of the National Cooperative Council (Mr. C.M.B. Bogollagama), a former Asstt. Commissioner (Professor D.M. Gunadasa), a former Senior Asstt. Commissioner of very long experience in the Cooperative Department, recently deceased (Mr. K.S. Ponnuthurai) and a few others of long experience in cooperative work. I have given its composition to show the experience represented in the Committee. Just at the moment the Advisory Committee is engaged in considering the prospects of the Movement under the provincial set-up that is to be. The Advisory Committee was not consulted by the Minister before he submitted his views on the proposed devolution of power to the Provinces. Thus one is constrained to say that the Advisory Committee is not consulted as it should be although its existence gives the public the impression that it is consulted on every matter of importance.

9.2 There have been, recently, two Workshops on the future of the Cooperative Movement of the country. One was held at the instance of the NORAD and the other of the SIDA. The proposals of the second, held with SIDA participation in January 1987, are receiving attention but the recent development of transferring the subject of cooperatives to the proposed Provincial Governments for administration has made it necessary to await the setting up of these governments. It is then only that the composition of the new national cooperative organisation can be visualized, i.e. whether the members of the new national organisation should be Provincial unions consisting of District Unions both of which will have to be formed ahead or consisting of the secondary societies of each Province if there are to be no District Unions. (The quality of the present national cooperative organisation has been explained in the tenth subparagraph of Paragraph 1.)

9.2 Employee representative's election to the board of the federal organisation.

9.3.1 There is no law conferring such a right. There is provision in the Bylaws of the Multi-purpose Cooperative Societies for the

election of one director by the employees of each MPCS concerned to its Board of Directors.

10. RESPONSIBILITY TO CONDUCT ELECTIONS IN THE COOPERATIVES

There is no provision in the law for the conduct of elections.

The Department of Cooperative Development once conducted the elections of Branch Committees of Multi-purpose Cooperative Societies but without legal authority to do so. That was about eight years ago.

10.1 Provision in the Law for a built-in System for Management of Cooperatives.

10.2 It is the bylaws that should provide for this and this the bylaws do. The Law, however, nullifies this system by providing for the Registrar to over-rule the decision of society to refuse membership to an applicant for admission to the society; for the Registrar to nominate persons to the Committees of Cooperative Societies; for the Registrar to dissolve elected Committees; etc., etc., as shown under paragraph 6.4. Strange to say the Law violates the very Principles which societies must conform to, as required by the same Law !

11. LEGAL STATUS OF THE CHIEF EXECUTIVE/MANAGING DIRECTOR VIS-A-VIS THE COMMITTEE OF MANAGEMENT

11.1 The Law does not provide for this officer. This is done in the bylaws. Normally the Manager is not a member of the Committee. In certain societies, however, the bylaws provide for member of the Board of Directors to be the Managing Director. He had the right of voting as a member of that Board.

11.2 The Law does not provide for a paid elected Chairman. Payment of officers is a matter for the bylaws. Some societies provide for such payment in their by laws.

11.3 The Law does not provide for two offices by Chairman and President as they are matters for the bylaws of the societies. Normally, there is provision for only a President. The USA system is quite unnecessary here.

11.4 The Law does not restrict the term of office of elected officers. It would be a violation of the Democratic Principle to provide such restriction. The bylaws of certain societies have provisions restricting the term of a Committee Member to three years by the device of the Committee Members having to retire in rotation and be ineligible for re-election until the next Annual General Meeting. A measure of self-discipline such as this should be provided for only in the bylaws. Such a provision in the Law would be a violation of the society's democratic right of self-determination.

11.5 The Law does not confer responsibilities or powers on national or regional cooperative bodies. All powers and responsibilities are provided for only in the bylaws of the societies concerned.

11.6 The Law provides for punishment in case of delinquency. Originally both civil and criminal offences were dealt with by the courts of law in the way provided for them by the civil and criminal law. Gradually; the need to dispose of cooperative cases expeditiously and to meet deterrent punishment to wrongdoers led to the passing of amendments to the Cooperative Act whereby the Registrar was empowered to issue certificates to the Government Agent/Fiscal or their deputies to recover the sums due from defaulters by seizure and sale of their movable property to issue certificates to the relevant Magistrate to recover dues as fines of such Court. (vide Cooperative Societies (Amendment) Act No. 27 of 1964) The Cooperative Societies Act No. 5 of 1972, provided more stringent measures. Under Section 66, the Registrar can recover dues to a society through the Magistrate of the area like a fine of that Court; and under Section 67 failure to pay over an amount which an officer fails to produce will amount to criminal breach of trust making him liable to imprisonment as well as a fine.

11.7 The Law does not provide for loss of membership if the member does not use the services of the society.

11.8 The Law also does not lay down any code of conduct for office-bearers,

11.8.1 The Law does not direct the cooperatives to formulate a code of conduct for themselves. The bylaws provide for the

making of Working Rules by the General Meeting. This amounts to a code of conduct for the officers and employees.

11.9 Law for Selection and Appointment of Employees

11.9.1 There is a separate law entitled the Cooperative Employees Commission Act, No. 12 of 1972, whereby the said Commission has powers to "determine all matters relating to methods of recruitment to, and conditions of employment of employees of cooperative societies, and the principles to be followed by such societies in making appointments and in making promotions from one post in a cooperative society to another post in the same society; to conduct examinations for recruitment as employees of cooperative societies,...to determine the qualifications necessary for appointment to any post; to require cooperative societies to pay salaries in accordance with the salary scales fixed by the Commission for any post or posts in any class or grade; to determine the procedure or procedures to be followed by any cooperative society in exercising its rights of disciplinary action against its employees,...and to hear appeals arising out of any disciplinary orders made by any cooperative society; to require any cooperative society to carry out such instructions, including instructions relating to reinstatement as may be given by the Commission, to determine the general principles in accordance with which gratuity or other benefits may be granted to employees on the termination of their services;...".

11.10 Selection/Election of Board of Directors

11.10.1 The Rules lay down that the bylaws shall be followed in this regard.

11.11 Accountability

11.11.1 Section 67 of the Law empowers the Registrar to require any past or present officer, member or servant of a society to pay over or produce such money or goods shown in the books of the society as held by or due from such officer, member or servant.

12. COOPERATIVES, POLITICAL PARTIES AND ELECTIONS.

12.1 The cooperative societies do not involve themselves in

political elections. They remain neutral, for "Cooperation is neutral ground on which people holding the most varied opinions and professing the most diverse creeds may meet and act in common" as stated in Article 7 of the International Cooperative Alliance's Rules.

12.2 The cooperatives do not find place in election manifestos of political parties.

12.3 No party in power uses cooperatives to get political benefits by way of: writing off loans etc. Nomination of non-officials to boards of directors is made. This is more or less the done thing! This is the most harmful result of the provision in the Law for nomination of directors. There is also provision in the Law for superseding elected boards. This power is often exploited to reward persons for political services rendered, even though they be ignoramuses in regard to cooperative societies and Cooperative Principles!

13. EDUCATION AND TRAINING

13.1 The government runs a School of Cooperation to train its Cooperative Inspectors (supervisors and auditors), to give orientation courses to officers of other Government Departments concerned with cooperative societies, etc.

13.2 Whilst the School of Cooperation looks after the education and training of departmental staff, the National Cooperative Council provides courses at its District Centres for the education and training of the employees of the cooperative societies.

13.2.1 The Schemes of the various Examinations held by the School of Cooperation for both departmental and society staff can be made available if desired, but these are not being submitted along with this Report as the theme of the proposed Consultation and follow-up is the Role of the Government in the Development of Cooperatives, wherefore a detailed study of the educational and training programmes would not be necessary.

14. ROLE OF THE CENTRAL BANK OF THE COUNTRY

14.1 The Central Bank makes occasional studies of the Movement with the help of foreign experts. About a year or so ago an

officer of the Reserve Bank of India studied the Credit Societies here.

14.2 Actually the Central Bank has not been sufficiently concerned about the development of the Sri Lankan Movement. Otherwise it would have advised the governments of the day whenever uncooperative legislation was proposed. No official of the Central Bank has made an in-depth study of the Movement as far as I know since the time of my connection with the Sri Lankan Movement during the period 1912 to the present time.

14.3 The apparent silver lining to the dark cloud of apathy towards the Movement on the part of the Central Bank is its comparatively recent concern to develop credit cooperatives to further the efforts of the Housing Development Authority but without regard to the danger of even our good credit cooperatives becoming mere agents of the said authority. That way lies the road to the disappearance of our genuine Credit Societies.

14.4 The Central Bank has turned a Nelsonian eye on the disastrous effects which the recent amendments to the People's Bank Act have had on the cooperative societies in general and the shareholding cooperatives in particular. To cut a long story short, the purpose of the People's Bank as stated in Section 4 of the People's Bank Act is "to develop the Cooperative Movement of Ceylon, rural banking and agricultural credit". It was set up at the instance of the then Governor of the Central Bank, Mr. John Exter, to find more money for the Cooperative Movement of Sri Lanka. Today, however, the cooperatives are not even represented in the Board of the bank whereas originally six out of its eight members were representatives of the Movement directly or indirectly.

14.5 The Central Bank, in short plays no part in the development of functioning of cooperatives.

15. PROPER ROLE OF GOVERNMENT

15.1 The following ought to be the proper functions and role of government in regard to the cooperative societies:—

- formulation of national policy in consultation with cooperatives;

- creation/building of environment for cooperatives to play their full role;
- assist building of a self-reliant strong cooperative sector to supplement the public and private sectors;
- enactment of progressive cooperative Law in conformity with cooperative principles;
- assisting cooperatives to generate and build their own resources;
- assisting cooperatives to build their own management personnel;
- promotion of cooperative values/spirit;
- encouraging development of dedicated cooperative leadership from within the Movement;
- strengthening of cooperatives as a system establishing integrated inter-cooperative linkages;
- promotion of democratic participation of members in the decision-making;
- supporting cooperative education and training;
- strengthening power structure within the cooperative framework (transfer of power/responsibility from government to cooperatives);
- de-officialisation of cooperatives;
- de-politicisation of cooperatives;
- building of strong self-reliant apex cooperative organisations.

15.2 As pointed out in para 6.5.4.1 above, there is an Advisory Committee on Cooperatives. It is not a representative body nor one jointly constituted by the government and the cooperatives. It is a nominated body. The Ministry does not consult the National Cooperative Council perhaps because of the Council being a body formed by the forcible amalgamation of the previous Cooperative Federation with a mushroom organisation created at the instance of the previous government. Please see the last sub-paragraph of this report under paragraph 1. Attention is being given only now, initiated by the National Workshop held

in January 1987, to the need of organising a genuine national representative organisation of the Cooperative Movement of Sri Lanka.

15.3 The decisions of the above mentioned Advisory Committee are not binding. The decisions of the authorities constituted by law, e.g. the Registrar, are **legally binding**.

15.4 Deviations from the Cooperative Principles abound in the Law as already mentioned under 6.4 above. It is only the government that can rectify this position. It is very unlikely that the government of any country would do so out of concern for preserving the genuineness of the Movement's character. No government in the developing countries has yet realised the potential nation-building capacity of the Movement and its value as a training ground for democracy. If this has been realised, the Republics that are styled "Democratic" would not pass laws that undermine the Principle of Democratic Control which cooperatives must observe. Glaring instances of this in our Law have been cited under Question 6.4.

15.4.1 If any action of the Registrar is contrary to Cooperative Principles and is also not authorised by the Law, such action can be challenged in the Supreme Court by way of an Application for a Writ of Quo Warranto.

15.4.2 If any cooperative society deviates from any Cooperative Principle and fails to comply with a request by the Registrar to rectify the matter the Registrar can cancel the registration of the society, for the reason that its registration has been granted on the basis that it would work in accordance with Cooperative Principles. (vide Section 3(1) (a) of the Law).

15.5. There is a need of evolving an arrangement at national and international level to resolve any deviation from the Cooperative Principles. Nationally, there should be a body consisting of representatives of the national representative organisation and of the Ministry of Cooperatives to advise the government on remedial action it should take regarding any action on its part that is not in conformity with Cooperative Principles; and to advise the national cooperative organisation on what it should do to rectify any action taken by a cooperative society, which action is not in conformity with any Cooperative Principle.

16. PARASTATAL INSTITUTIONS REGISTERED OUTSIDE THE COOPERATIVE ACT PLAYING AN IMPORTANT ROLE IN PROMOTING AND STRENGTHENING COOPERATION

16.1 There were two institutions of this type which played an important role in the promotion and strengthening of Cooperative Societies, viz. the Cooperative Wholesale Establishment (vide the last sub-para of page 2 of this report) and the People's Bank. (vide the second sub-para on page 4 of this report).

16.2 The managements of these institutions have now forgotten the ladder by which their institutions rose to their present heights! O tempora! O mores!

COOPERATION IN A NUTSHELL

P.E. WEERAMAN

1. COOPERATION

1.1 "Cooperation" and "cooperate" are words derived from the Latin word "cooperare" which means "to work together". Of all forms of working together, working together done by any association of persons, on a basis of joint self-help and in accordance with the Cooperative Principles, for the elimination of middleman profit-making in respect on an economic need or needs common to them, and having as their object their social and economic betterment, is termed "Cooperation" in its sui generis (unique) sense. Such an association is called a "cooperative society".

1.2 The Cooperative Principles referred to above are six in number and may be briefly stated as follows:—

1. Voluntary and Open Membership

Membership of such society should be applied for by a person only of his own free will and not under duress of any kind; and the society concerned may admit, or refuse admission to, such applicant of its own free will and not at the dictation of any outside party; and, likewise, the member or the society may voluntarily terminate such membership in accordance with such conditions relating thereto as may be provided in the society's rules/bylaws; furthermore, membership shall be available without artificial restriction and any social, racial, religious or political discrimination to all persons who need

*These Principles are explained more fully in my book entitled "The Cooperative Principles", which may be obtained from the ICA, Regional Office for Asia, New Delhi

and can make use of the society's services for their own non-middleman purposes, provided they are qualified for membership in terms of the society's rules/bylaws and are willing to accept the responsibilities of membership.

2. Democratic Control

The general meeting of the members shall be the supreme authority of the society; every member shall have an equitable right of voting and participation in decisions affecting the society; and the affairs of the society shall be administered, in accordance with the democratically expressed will of the members, by persons elected or appointed in a manner agreed by the members and accountable to them.

3. Limited Interest on Capital

Share capital may be allotted only interest, if any, and that only at a strictly limited rate and only out of the profits of the society's business operations.

4. Equitable Division of Profit

The economic results, arising out of the operations of a society, belong to the members of that society and shall be distributed in such manner that no member shall gain at the expense of any other person; and this may be done by decision of the members by distribution of the divisible amount of the net profit among them in proportion to their transactions with the society at a rate not exceeding the proportion of the total divisible amount to the total transactions of the society, so that the amount of any divisible profit derived from transactions with non-members will remain with the society. Such amount of this remainder as may be desired by non-member customers may be reserved for them to be utilised for acquiring membership whilst any balance of this remainder shall be devoted to some purpose of common benefit, preferably for the wider community beyond the society's membership. It shall in no case be added to the amount distributable among the members for "Cooperation expressly abjures" such participation in profits. Such action would amount to the members exploiting the needs of others,

the very wrong that Cooperation seeks to amend. The profit divisible among members or any portion of it may be allocated by decision of the members for the development of the society's business, to its reserve funds, and for the provision of common services including the education of the members, officers and employees of the society and the general public in the principles and techniques of Cooperation.

These are the operative Principles, i.e. those which determine the way in which a cooperative society should function. There are also two other Principles, which may be termed the promotional principles, they are designed as to consolidate and promote the Cooperative Movement. These are:

5. Cooperative Education

"All cooperative societies shall make provision for the education of their members, officers and employees, and of the general public, in the principles and techniques of Cooperation, both economic and democratic". This is the principle which makes "the effective observance and application of the rest" of the principles of Cooperation possible. "In the last analysis", says the ICA Principles Commission, "the principles embody the spirit of Cooperation, which has to be awakened and renewed in every fresh generation that takes over the work of the Movement from its predecessors. That awakening and renewal depend, more than anything, upon the care and assiduity with which each generation keeps the torch of education aflame".

6. Cooperation among Cooperatives

"All cooperative organisations, in order to best serve the interests of their members and their communities, shall actively cooperate in every practical way with other cooperatives at local, national and international levels, having as their aim the achievement of unity of action by cooperators throughout the world".

2. WHY GENUINE COOPERATION?

2.1 As has been said in a special report submitted by a

Committee appointed to report on the Cooperative Movement of Sri Lanka, "a genuine cooperative system helps not only to retain for the consumer and the producer the profits that would otherwise go to middlemen and capitalists but also to foster certain qualities of great social value.....Self-reliance, a capacity for managing one's own affairs, and the attitude of service for its own sake give character to a people. These are the social attributes that would be developed in the people by the functioning of a genuine Cooperative Movement. As the very essence of Cooperation is democratic management, the practice of the democratic processes inherent in the cooperative system educates the citizen in the science of democracy and makes him capable of appreciating the value of political democracy. Moreover, if there is no practice of democracy at the grass-roots level, there will be regimentation at that level....Once the people are accustomed to regimentation in respect of their own personal matters, they will be acclimatised to regimentation at the national level. Cooperatives should not be made the vehicle of regimentation at the grass-roots level, or any other level, for regimentation is the very antithesis of Cooperation. Democracy at the national level can last only if it is, buttressed by democracy at the grass-roots level. It can be best buttressed by the practice of democracy in the economic sphere at the grass-roots level, for people are most affected by economic activities, far more than by social or religious work. And the finest form of practising economic democracy is the operation of a genuine cooperative. Cooperative democracy spells economic democracy. And it is a truism that without economic democracy, political democracy would not be meaningful.

2.2 "The government should promote the development of a genuine cooperative movement were it to be only for this reason. But there are other reasons too. First, every government needs it, because any government would be at its weakest where a genuine cooperative movement would be at its strongest, the village. The collaboration of cooperatives would be, therefore, most useful for the success of any scheme of economic development which needs the people's participation. Secondly, genuine cooperative societies would be continuous barometers of responsible public opinion on matters that touch the people most. Such information would be invaluable to any government desirous of satisfying its masters, the people. Genuine cooperatives are also the agents of social change. The Cooperative Principles of Voluntary

(Association) Membership and Democratic Control are based on the right to individual and collective autonomy. The practice of these principles will make the people more and more independent minded, developing them from being mere followers of policy into becoming initiators of policy, a development so essential to the health of a political democracy. The Cooperative Principle of **Open Membership** (that admission to a cooperative society should be done without artificial restriction or any discrimination) will help people to be tolerant and large-hearted, more national and international in their outlook. All this makes for nation-building. The Cooperative Principles of Limited Interest on Capital and Equitable Division of Profit, both eliminating profit to capital and middlemen, are designed to make the consumers and the producers the masters of the economy replacing the capitalists and middlemen. Therefore, Cooperation has been described as "a social revolution of a fundamental nature. By cooperating men cease to exploit one another's needs and instead join hands to solve their common economic problems for their own social and economic betterment. It is a joint effort at self-help which is of mutual benefit to the whole community". Francis Blanchard, Director-General of the ILO, writing on "The Social Purpose of the New World Economic Order" has said "What is being sought, in other words, is a transfer of the ideals of the cooperative movement to the larger world community". (Review of International Cooperation, Vol. 70 No. 1 of 1977).

2.3 As said by the Principles Commission, Cooperation aims at something beyond the promotion of the interest of the individual members who comprise a cooperative. Its most important aim is the promotion of the social and economic rights of the people. And its object is to promote the progress and welfare of humanity. "It is this aim", says the Principles Commission, "that makes a cooperative society something different from an ordinary economic enterprise and justifies its being tested not simply from the standpoint of its business efficiency but also from the standpoint of its contribution to the moral and social values which elevate human life above the merely material and animal".

THE ROLE THAT A GOVERNMENT SHOULD PLAY IN REGARD TO COOPERATIVE DEVELOPMENT

P.E. WEERAMAN

1. The Cooperative Movement originated in the forties of the nineteenth century when Europe was experiencing a rapid industrial revolution. This attempt to overcome the hardships of the industrial revolution was viewed as a conspiracy in restraint of trade and so tended to be suspected by the governments of the day. Further, Cooperation in the urban areas was often linked in the early days with trade unionism which was then regarded as a revolutionary doctrine. Later in the same century, the Movement was accepted as a legitimate effort but it was only tolerated rather than welcomed by governments. With the turn of the century, the governments of Western Europe were not only prepared to accept the Movement but also ready to promote it.

2. Yet, however, the original desire to be independent of government control remains among these Movements as well as those of the United States; Canada and Australia which grew up in the same tradition.

3. In the under-developed countries over which the western powers held sway, they set out actively to promote the Movement. In these countries, such as India and Sri Lanka, "Cooperation was introduced not because it was desired but because it was desirable". And, it may be noted, government sponsorship was regarded in these countries only as an interim measure, "to be successively relinquished as the Movement becomes more and more capable of standing on its own feet." Today, however, the

role of government in co-operative development differs in each country, both according to the state of development of the Movement there as well as the views of the government concerned in regard to the utilization of the Movement for the furtherance of its policies towards the establishment of the Welfare State.

4. There are broadly three groups of countries where the Cooperative Movement exists. Those in which the government performs practically no services for the Movement, those where the government provides only basic facilities, and those where the active and extensive promotion of the Movement is a recognised function of the government. The last category, however, can be divided into two groups, viz. where such promotion is regarded as a moral duty of the state, and where cooperatives which can be exploited for the attainment of government objectives are promoted to the near exclusion of the rest.

5. Finland, Denmark, Ireland, Great Britain and West Germany are good examples of the first group. In Finland, the whole Movement "has been based on the free initiative and will of the people. If anything, it is the government that seeks the aid of the Cooperative Movement and not vice versa". In Ireland, the government only makes a contribution to the Irish Agricultural Organisation Society. In Germany, the Movement has been throughout independent of government control. Since the creation of the G.D.R. the independence of that Movement may have been lost to some extent. In Denmark, there is not even a special law to serve the interest of the Movement.

6. In the other countries of this group, legislation in respect of the Movement has been motivated by the necessity to regulate matters affecting the people in general. For example, in Finland the government has reserved the right to supervise and inspect savings funds maintained by consumers' societies. There is no official or semi-official service concerned with cooperatives specifically. In West Germany, the Federal Cooperative Act provides for the dissolution of cooperative societies but only "where they are guilty of illegal acts or omissions prejudicial to the public interest, or pursue commercial aims other than those laid down in the Act." The government does not undertake any promotional or supervisory functions. In Great Britain, the government is a neutral. Mexico, Japan and Egypt are examples of the second group. Their governments provide only basic facilities such as

registration, supervision and education. In these countries, the Movement has been recognised as being not only desirable but also deserving of assistance from the state.

7. The third group i.e. where promotion of the Movement is a recognized function of the state, consists of the underdeveloped countries which were under colonial powers. In many underdeveloped areas "the inhabitants tend to be resigned and apathetic...and apt to assume that the initiation of all action is the business of the government. Where such a state of affairs exists, no government can afford to neglect, to foster Cooperation and thereby to bring into action organized bodies actively working for improvements which the government itself is anxious to effect but, without such unofficial cooperation, could only do after the lapse of an intolerably long time." "Herein lies" says W K H Campbell, the first head of the Cooperative Department of Ceylon, in his "Practical Cooperation in Asia and Africa", "one justification for governments going beyond their bare legal obligations and actively taking a hand in fostering Cooperation". Far from thinking of justifying any such intervention in the field of Cooperation, today's governments apparently think it is their birthright to interfere and control cooperatives and use them as their agents for implementing their schemes of distribution of consumer goods, procurement of produce or disbursement of housing loans regarding them as mere adjuncts of the state. The cooperatives cease to be agents of their members by this exploitation of their services by the governments; and the weak who joined together to become strong before their exploiters are once again left to fend for themselves, for their societies have now become the agents of the government and, as bound by the terms of their agencies, have to reject their members rather than help to overcome their difficulties.

8. Government should be motivated to promote Cooperation by the recognition that the cooperative method is the best means of "bringing a national development/plan down to the level of the small producers on whom national economy ultimately rests" as well as to the level of consumers, developers of housing, etc. The cooperatives must stay on the side of the producers, consumers, tenants, etc. The cooperative must act on behalf of their members, helping them to satisfy the standards required of them by the agents of the government, the latter being extraneous to the cooperatives. Cooperative Societies cannot

serve two masters. Therefore, the promotion of cooperatives to be good agents of the government is not the proper role which governments should play in regard to cooperative development. Cooperatives should be promoted also to solve the problem of the lack of local leadership and local personnel, which lack is a "barrier to the diffusion of new ideas and techniques". Governments should offer, through the cooperatives, technical knowledge to the people for their enterprises but refrain from taking over their successful cooperative undertakings as has happened in some places. That is the very antithesis of government's proper role in Cooperative Movement. The proper role that the government should play in this regard is:—

- (a) to give legal recognition to cooperative societies and to provide for their proper management and supervision in the interest of the Movement;
- (b) to safeguard the rights of the people vis-a-vis these societies;
- (c) to prevent any abuse of privileges accorded to these societies;
- (d) to promote the Movement because of the invaluable benefits the people would derive from it, provided it is a genuine one.

9. *The ILO Recommendation No. 127 of 21 June 1966* sets out the ideal role that government should play with regard to cooperative development in the developing countries. This Recommendation "applies to all categories of cooperatives" and states that "the establishment and growth of cooperatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries." "In particular," says Recommendation, cooperatives should be established and developed as a means of:

- (a) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;
- (b) increasing capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;
- (c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;

- (d) increasing national income, export revenues and employment by a fuller utilisation of resources, for instance, in the implementation of systems of agrarian reform and of land settlement...and in the development of modern industries, preferably scattered, processing local raw materials;
- (e) improving social conditions, and supplementing social services in such fields as housing, health, education and communication;
- (f) helping to raise the level of general and technical knowledge of their members.

9.1 In Paragraph 4 of the Recommendation, it says that "Governments of developing countries should formulate and carry out a policy under which cooperatives receive aid and encouragement, of an economic, financial, technical, legislative or other character, *without effect on their independence.*

In para 5, it says that "in elaborating such a policy, regard should be had to economic and social conditions, to available resources and to the role which cooperatives can play in the development of the country concerned; and that the policy should be integrated in development plan *insofar as this is consistent with the essential features of cooperatives.*"

9.2 In paragraph 9, it says that "the governments concerned should associate cooperatives on the same basis as other undertakings with the formulation of national economic plans and other general economic measures, at least whenever such plans and measures are liable to affect their activities. Cooperatives should also be associated with the application of such plans and measures *insofar as this is consistent with their essential characteristics.*

9.3 It also says that in the formulation and, where possible, application of the policy recommended above, "federations of cooperatives should be empowered to represent their member societies at the local, regional and national levels." In elaborating the methods of implementation of policy concerning cooperatives, it recommends the following *measures regarding legislation*:—

- (a) to detect and eliminate provisions contained in laws and

regulations which may have the effect of unduly restricting the development of cooperatives through discrimination for instance in regard to taxation or the allocation of licences and quotas, or through failure to take account of the special character of cooperatives or of the particular rules of operation of cooperatives;

- (b) to avoid the inclusion of such provisions in future laws and regulations;
- (c) to adapt fiscal laws and regulations to the special conditions of cooperatives;

9.4 In para 12, it lays down *the essential provisions that should be included in such laws and regulations, viz.*

- (a) a definition or description of a cooperative bringing out its essential characteristics.
- (b) a description of the objects of a cooperative, and procedure for its establishment and registration, the amendment of statutes, and its dissolution;
- (c) and conditions of membership...as well as the rights and duties of members, which would be laid down in greater detail in the bye-laws of cooperatives;
- (d) methods of administration, management and internal audit, and procedures for the establishment and functioning of competent organs;
- (e) the protection of the name "cooperatives";
- (f) machinery for the external audit and guidance of cooperatives and for the enforcement of the laws and regulations.

9.5 As regards measures regarding Education and Training, the Recommendation asks governments to disseminate a knowledge of the principles, methods, possibilities and limitations of cooperatives as widely as possible among the peoples of developing countries. Appropriate instruction should be given not only in cooperative schools, colleges and other specialised centres but also in educational institutions such as universities, teachers'

training colleges, vocational educational establishments such as agricultural schools, and workers' education centres, secondary and primary schools. The formation and operation of student cooperatives should be encouraged. Similarly, workers' and craftsmen's organisation should be encouraged to promote cooperatives; and steps should be taken to familiarise the adult population with the principles, methods and possibilities of cooperatives. Provision should be made for giving appropriate technical training as well as training in cooperative principles and methods to the office-bearers and the staffs of the cooperatives as well as their advisers and publicists.

9.6 As regards financial aid to cooperatives, the Recommendation¹ is that "where necessary financial aid from outside should be given to cooperatives when they initiate their activities or encounter financial obstacles to growth or transformation. *Such aid should not entail any obligations contrary to the independence or interests of cooperatives and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives.*"

9.7 As regards Administrative Aid to cooperatives, the Recommendation says that "while it is essential that the management and administration of a cooperative be, from the outset, the responsibility of the members and persons elected by them, the competent authority should in appropriate cases and normally for an initial period only:—

- (a) assist the cooperative in obtaining and remunerating competent staff; and
- (b) place at the disposal of the cooperative persons competent to give guidance and advice. Such guidance and advice should preferably be given by a federation of cooperatives.

9.8 As regards supervision and responsibility for implementation the Recommendation says that:—

- (a) cooperatives should be subject to a form of supervision designed to ensure that they carry on their activities in conformity with the objects for which they were established and in accordance with the law;

- (b) supervision should preferably be the responsibility of a federation of cooperatives;
- (c) auditing of the accounts of cooperatives affiliated to a federation should be the responsibility of that federation.

9.9 And these measures should be so planned and carried out as to:—

- (a) ensure good management and administration of cooperatives;
- (b) protect third parties;
- (c) provide an opportunity of completing the education and training of the office bearers and members of the staff of cooperatives through practice and through critical examination of mistakes.

9.10 The Recommendation makes in para 30 the important recommendation that "the functions of promoting cooperatives, providing for education concerning cooperatives and for the training of office-bearers and members of the staff of cooperatives, and giving aid in their organisation and functioning, should preferably be performed by *one central body* so as to ensure coherent action." And that the performance of these functions should preferably be the responsibility of a federation of cooperatives. Also that these tasks should be discharged as full-time work by persons trained specifically for the exercise of these functions.

9.11 The above are only the gist of this epoch-making Recommendation containing thirty-six paragraphs occupying fifteen pages of the ILO's OFFICIAL BULLETIN Supplement I of July 1966. It is a pity that this invaluable expression of advice to the developing countries' governments by this UN Specialized Agency to which the subject of Cooperative Development has inter alia, been assigned, has been adopted only as a Recommendation and not as a Convention, which latter would have been binding on the Members of the ILO. Though the Members of the ILO were in unanimous support to the adoption of this Recommendation, it is sad to find that practically no developing country has effectively implemented the Recommendation, nor has the ILO made a survey of the implementation or otherwise

of the Recommendation, even after it was pointed out at the ILO Conference held in Sri Lanka in 1972 and the Director of the ILO Regional Office in Bangkok undertook to make such a survey. Such action would make the Recommendation more purposeful than otherwise.

10. It will be useful for the governments of the developing countries to note at this Consultation how far they have fallen short of the ideal but nevertheless practical recommendations made by the ILO. In paragraph 4 of the Recommendation it says that governments should give aid and encouragement to cooperatives "without effect on their independence". But in many a country of our part of the world, the giving of financial aid to cooperatives is asserted by the governments concerned and in some cases even laid down in the law to be the justification for those governments to make despicable inroads into cooperative democracy in spite of "democracy being the very essence of Cooperation". The nomination of Committee Members, Managing Directors and even the Chairmen of the Managing Committee is authorised by the laws, sometimes in proportion to the quantum of government aid given, wherefore in some cases the nominees number as much as two-thirds of the total number of committee members together with the Chairman of that Committee. But when in spite of all these government representatives the society fails to deliver the goods the nominator, viz. the Registrar or the Minister who selected the persons for nomination, takes no responsibility for the errors of omission or commission made by his nominees. Nominees are answerable to their nominators in the first place and the actions of the former bring credit or discredit to the latter. By the Registrar's act of nominating Members of the Committee etc. the Registrar becomes responsible for the proper management of the cooperative concerned and therefore, becomes liable to damages, morally if not legally, for any losses sustained by the cooperative due to acts of his nominees that are contrary to the law or the society's bylaws. One requirement of the bylaws is that committee members etc. shall act with the prudence of ordinary men of business. The usual criterion today for selecting a person for nomination is his political loyalty and not his fair reputation and cooperative experience. This highlights the apathy which most modern governments of the developing countries have shown for the cooperatives. These governments look upon the cooperatives as governmental adjuncts for serving their immediate needs,

even if the tasks so assigned are not "consistent with the essential features of cooperatives".

10.1 Another important recommendation is to detect and eliminate legal provision which fail to take account of the *special character of cooperatives*. The cooperative laws of this region abound in legal provisions of this type. In some countries almost all the Principles of Cooperation are violated in their laws. Governments which have any concern for rectifying this position should request the ICA Regional Office for Asia to examine their cooperative laws and report to them what amendments are due on the lines of the Study it has already made of the Cooperative Laws and Rules of the Indian States.

10.2 As recommended by the OLO in its Recommendation mentioned above, the governments of our region should lose no time to take all steps that are necessary to remove all laws that prevent their cooperatives from functioning as genuine cooperatives to enable the latter to "become important instruments of human advancement". To reach this stage of cooperative development, much rectification of present background factors has to be made, by all concerned.

11. The first background factors we should take note of is the change in the attitudes of governments towards cooperative development. Originally, the colonial rulers of many of our countries may have aimed at developing self-governing Cooperative Movements with only a few restrictions which they naturally deemed to be essential in view of the inexperience of the normal villagers, "small and simple people", "to do small and simple business to satisfy their small and simple needs". Perhaps the alien rulers did not wish to leave room for the development of an all-embracing and economically powerful Movement which could also develop into a political Movement through which a demand for political independence could rear its ugly head (of course, not ugly to the subject people). The demand for a constitutional monarchy in Denmark had succeeded in 1875 thanks to the active support of its independent Cooperative Movement, and the British Movement had its own Cooperative Party in Parliament. So one can understand the reluctance of the alien rulers to give the reins to the cooperators of their colonies. But when these colonies became independent, it would have been but natural for the newly independent governments

to remove whatever shackles there were on people's movements in their respective countries to enable them to grow to their full stature. Yet, *mirabile dictu!* what happened to the cooperatives was the reverse. The Registrar was clothed with more powers than the British would have ever dreamt of, and, to boot, these powers were exercised in accordance with the wishes of the Ministers in charge of cooperative development though the legal responsibility lay with the Registrar. Registrars who were dedicated to the Movement naturally did not fall into line and were quickly moved to other spheres of work (as the writer was thrice) and persons less committed to Cooperation by reason of their lack of experience and knowledge of the Movement were brought in. To such tyros in Cooperation cooperative work was only just another administrative exercise. The damage so done to the Movement is most regrettable as well as irremediable.—irremediable because of the generation gap that has occurred due to the present younger generation not being active participants of the Movement as their fathers were. Needless to say, the estrangement was the direct result of the government making itself the *defacto* manager of the larger cooperatives which affected the wider public adversely but brought political gains to the Party in power. The older generation who knew a more genuine Cooperative Movement when politicisation had not set in have washed their hands off the Movement. The disappearance of that generation of knowledgeable and convinced cooperators reminds me of Goldsmith's lament in "The Deserted Village":—

But a bold peasantry, their country's pride,
When once destroyed, can never be supplied".

11.1 People learn from what they see more than from what they read, from example more than from precept. Today's generation assumes that nominations by the government, to office in cooperatives, their functioning as agents or monopolists of the government, making middleman profits from non-members, running middleman profit-making ventures by the name of cooperatives, cooperative societies investing in middleman business ventures and commercial banks, are all in keeping with cooperative ideology. Also, that the very law which demands the observance of Cooperative Principles from a society if it is to be registered or be kept on the Register of Cooperative Societies can violate those Principles in that very

Law. Apparently, a bogus registration is all that matters, for both the government and the organisation concerned. There is no protest from the cooperators and there is no public opinion voiced on behalf of the Movement, either through ignorance of Cooperation or because the national unions or federations which are the proper avenues for protest are so dependent on government subsidies that they keep silent. Moreover, their Chief Executives are seconded Public Servants. Most of the general public are ignorant of what should be. So the erring governments keep on going the wrong way, quite unmindful of their duty to help the people to develop a genuine Cooperative Movement. No government in the developing countries has shown a genuine desire to help such development, either because they do not wish to see the Cooperative Movement becoming a true people's Movement and one likely to be stronger than their own political party; or because they are ignorant of the great benefits that Cooperation can bring about to the people.

12. The second background factor is desire of the governments to exploit the cooperatives for their own purposes such as the distribution of consumer goods or procurement of food or disburse housing loans as their agents. This is another change in the attitude of the governments towards the Movement.

13 Another background factor is that governments wish to exercise their influence over the employment of persons within the Movement with a view to finding employment for their Party supporters, quite unmindful of the fact that the cooperatives are independent and private (but sui generis) business concerns of the people. The powers taken to nominate Committee Members etc also bring in their wake opportunities of exercising much patronage. This is another change in the attitude of the governments towards the Movement.

14. Another background factor is the change in the duties of the Cooperative Officers of the government Departments of Cooperative Development. Time was when the main function of the Inspector and the Assistant and Deputy Registrar was the education and training of the membership. The Inspectors attended meetings of the societies and taught the members the methods and practices of Cooperation. But now they have no time for such teaching. They are occupied with managerial functions such as the disbursement and recovery of government loans. Another background factor of great import is that governments like to

lend direct to the people using the cooperatives only as channels for the purpose. All standards of cooperative credit are ignored. This, however, in the long run brings unjustifiable discredit to the cooperative concerned, from the many who are unaware of the actual arrangement. Nor is it proper for cooperatives to act as agents of outside concerns.

15. Another background factor is the reluctance of the educated and better placed persons in society to take an active interest in the cooperatives, mainly due to government interference and violation of the democratic principle.

16. Another background factor is the change in the attitude of the cooperative officer. He was originally a true guide, philosopher and friend to the villager and a veritable missionary of Cooperation. The importance placed on rapid economic growth at the cost of Cooperative Principles has turned that missionary into an ordinary government official with no special zeal for the Movement he is serving. Moreover, the old brigade of missionary officials is fast disappearing, if not gone already, and the new inspectors have seen only government-inspired Cooperation which is almost a total contradiction of genuine Cooperation as envisaged in the Rules of the ICA. The lack of this missionary spirit and of the conviction that Cooperation is a Dharma to be lived up to and a Way of Life is a serious background factor militating against the development of a genuine Movement. Another background factor seriously influencing the association of the State with the Cooperative Movement is the gradual curtailment of the independence of the officials charged with the task of cooperative development. The Registrar is no longer "the foundation of the movement" as Calvert has put it. This would have been a most welcome development if the Movement's own organ at the national level had taken the Registrar's place. But what has happened is a jump from the known to the unknown. When a senior public servant is empowered by law to exercise certain powers he can be expected to act in accordance with the law on pain of having to answer charges by way of Writ in the Supreme Court of the country. But when that public servant has by force of circumstances, perhaps, on pain of losing his employment, to Scylla and Charybdis. His statutory independence becomes meaningless. So the cooperators are subjected to political decisions, the net result of which has been the withdrawal of the law abiding and cooperatively motivated person, the most valuable kind of member but equally difficult

to be kept within the fold in the face of maladministration. They lose interest in their societies and withdrew their participation leaving room for others less worthy of such responsibility. Another background factor of tremendous importance is the tendency of governments to make frequent changes in the post of Registrar or Commissioner, overlooking the need to appoint only men with previous experience of cooperative developmental work to this post. No one should be expected to learn cooperative work ab initio while holding the highest post. The office of Registrar is not merely an administrative post. he must know the theory and practice of Cooperation, the Principles, methods and possibilities of cooperatives from sheer experience and long association with the institution of the Movement and the human beings who comprise its membership. He should have learnt his onions at a lower level than that of Registrar as all successful Registrars have done with advantage to the Movements they handled and with spiritual satisfaction to themselves. Otherwise, there is the real danger of a new comer to Cooperation, starting his cooperative career at the very top, proving to be "a faddist or an un-informed enthusiast" whom a distinguished predecessor of mine in the office of Commissioner-cum-Registrar of Sri Lanka (Mr. G. de soysa) has called "the greatest danger to the Movement". To dutifully fill a government's role in regard to cooperative development, it should select for this post only men who have imbibed cooperative principles, methods and practices and are imbued with the spirit of Cooperation and have drunk deep of cooperative experience. As said in the MacLagan Report, they should be "picked officers of experience and authority" to head what Calvert has called "this great educative movement". One who is not qualified in this way for the post of Registrar will fall an easy prey to political maneouvering and also fail to see the incorrectness of instructions which are uncooperative per se or are harmful to the Movement. This has happened in one country, at least, of our Region with disastrous results to the entire Movement. Needless to say, the corollary to this submission is that the person selected by the Executive Head of a Government to bear the portfolio of Cooperative Development should, if possible, be one who has previously held high office, by election and for atleast a few years, in a secondary or tertiary cooperative society, so that he too would not fall a prey to political maneouvering or misdirect himself in regard to cooperative development. Another background factor is the assignment of the portfolio of Cooperation to a Minister who is entrusted with other portfolios as well. The

unhappy results of this arrangement are that:— (a) the other subjects normally receive priority of attention due to 'the urgency attached to them, unlike cooperative development which is never a matter of urgency in times of peace, and (b) the other subjects assigned to the same Minister get preference over other Ministers' needs in the matter of cooperative development. For example, if the same person is Minister for both Agriculture and Cooperation, the cooperative remedy will be applied sooner to agricultural problem than to the problems of other Ministries. But ideally, the Minister for Cooperation should have no field of his own for cooperative development. For this to happen, the Cooperation Minister should be free of all other charges. He will then be able to give cooperative services to all the other ministries in an equitable manner being free of any need of his own, for satisfaction in the cooperative way. In Sri Lanka, for instance, there is a separate Minister for Cooperatives alone.

17. Last but not the least important background factor militating against the development of a truly Independent Cooperative Movement in any of the developing countries is the desire or readiness of each country's representative national cooperative organisation to receive grants from the State. Although the Cooperative Movement of a country has as much rights as any other people's movement to receive grants from the State there is no gain saying the fact that such grants have, indeed, tended to reduce in some measure the sense of independence of the national representative bodies and that the governments of the developing countries have regarded these grants as leverage in certain situations. We who speak so much of the independence of the Cooperative Movement are not slow to pick up the crumbs that fall from the government table. It is, therefore, necessary for the making of this grant to be so arranged that the national cooperative organisation need not make an annual application for it. It should be open for the government concerned to vary the grant except on previously fixed criteria based on accepted principles, preferably laid down in the law itself. This will make the national organisation independent in this respect and therefore, free to voice the views of the Movement without fear or favour.

18. The association of the State and the Cooperative Movement of a country in the developing world is a *sine qua non* of that country's development. So the governments of the developing

countries would be well advised to rectify the matters pointed out above as background factors and conform to the ideal role the governments should follow as set out in the ILO Recommendation quoted above. Thus only will the association of the State with the Cooperative Movement lead to its healthy growth with all the good that it entails.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN THAILAND

DR YOOKTI SARIKAPHUTI*

1. BACKGROUND INFORMATION

1.1 Like in all Asian countries the initiative for introducing cooperatives in Thailand as a system of economic and social organization, came from the government. The Thai government has realized the values and benefits of the cooperative system and used it as a means to improve the livelihood of small farmers since 1916. The first cooperative was established by the then government on February 26th, 1916 in the form of small village credit cooperative of unlimited liability, single purpose and small number of members, to help the severely indebted farmers in the Central Region. The success of this type of cooperative which resulted in preventing many farmers' land from being foreclosed by the money-lenders led to the expansion of a large number of small village credit cooperatives in all parts of the country. After that other types of cooperatives were developed according to the people's needs in the form of both production and consumer cooperatives.

1.2 In 1943, with a view to facilitating financing to cooperatives, the government set up the Bank for Cooperatives with government capitalization. Also in 1952 and 1953 two provincial cooperative banks were established in Chiangmai and Uttaradit Provinces respectively by the affiliation of village credit cooperatives in each of the two provinces. Unfortunately, these two provincial cooperative banks had to stop their banking operations and were reorganized into federations of credit cooperatives by the enactment of a new "Commercial Banks" law in 1962 having

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laid down the acceptance of deposits on "current accounts" could be operated only by commercial banks which must be organized in the form of "limited company".

1.3 Furthermore, in 1966, the Bank for Cooperatives was reorganized into the "Bank for Agriculture and Agricultural Cooperatives, a state owned Bank functioning as financing centre of agricultural cooperatives and lending directly to individual farmers as well."

1.4 In 1968 with the objective to facilitate the strength of the Cooperative Movement, the government enacted the Cooperative Society Act, B.E. 2511, which allowed the establishment of the Cooperative League of Thailand, functioning as the apex organization of the Cooperative Movement. This enactment also facilitated the government to implement the amalgamation programme which combined the neighbouring small village credit cooperatives as well as paddy and marketing cooperatives, land improvement and land settlement cooperatives into district level cooperatives, performing multi-purpose functions and were officially categorized as agricultural cooperatives.

1.5 At present, the cooperatives in Thailand are officially categorized into six types. The number of cooperatives and their membership as at the end of 1987 are as follows:

TABLE 1
NUMBER AND MEMBERSHIP OF COOPERATIVES BY TYPE

Type	No. of Coops	Membership
1. Agricultural Cooperatives	1,076	838,330 households
2. Fisheries Cooperatives	20	4,001 households
3. Land Settlement Cooperatives	92	76,270 households
4. Thrift and Credit Cooperatives	662	1,037,196 persons
5. Consumer Cooperatives	346	508,689 persons
6. Service Cooperatives	255	65,324 persons
Total	2,451	2,529,810 persons

1.6 The cooperatives in Thailand are vertically organized in a three-tier system primary cooperative, provincial federation and national federation. The primary cooperative consists of individual members. In the case of agricultural cooperatives, the average membership is 800 households per society, and divided into groups at village level. According to the present Cooperative Act, the general meeting of members elects the board of directors which formulates the policy of the cooperative and appoints a manager and staff to run the operation of the cooperative.

1.7 Three or more primary cooperatives can together form a provincial federation which undertakes joint activities on behalf of their primary affiliates such as processing of agricultural produces.

1.8 At national level there is the Agricultural Cooperative Federation of Thailand of which all 73 provincial agricultural cooperative federations are affiliated. At this level, there are also Sugarcane Growers Cooperative Federation of Thailand, Swine Raisers Cooperative Federation of Thailand, Dairies Cooperative Federation of Thailand and Onion Growers Cooperative Federation of Thailand. Land settlement cooperatives in the Central Region have a regional federation, whereas thrift and credit cooperatives, credit union cooperatives, cooperative stores are affiliated in a national federation of their own.

1.9 All types of cooperatives at all levels have to be the affiliates of the Cooperative League of Thailand (CLT), according to the Cooperative Societies Act 1968. CLT is functioning as an apex organization of the whole Cooperative Movement. It does not run a business enterprise, but operates as a promotional, ideological national organization of cooperatives throughout the country.

1.10 The figures showing the performance of the cooperatives of all types as at 31 March 1986 are given in table 2.

2. GOVERNMENT'S ROLE IN COOPERATIVE DEVELOPMENT

2.1 The present Cooperative Promotion Department which is the government agency directly concerned with the cooperative development has a long historical background. It was started as a "Cooperative Section" in 1915 in the Department of Commerce and Statistics, Ministry of Royal Treasury (Now Ministry

TABLE 2
PERFORMANCE OF COOPERATIVES IN THAILAND 1986

Unit : million baht

Type	Number of Co-op.	Credit business	Saving business	Marketing business	Supply business	Extension & Services	Total	Operating Fund of Cooperatives		
								Loans	Own Fund	Total
Agricultural	1,089	3,256.1	715.3	1,477.5	757.0	8.4	6,214.3	4,902.8	2,492.3	7,395.1
Land Settlement	93	169.8	30.7	133.4	102.2	8.7	444.8	384.8	161.4	546.2
Fisheries	19	3.8	0.1	1.4	168.4	—	173.7	20.9	8.0	28.9
Thrift and Credit	634	13,573.8	2,141.8	—	—	—	15,715.6	1,775.3	10,219.8	11,995.1
Consumer	341	—	—	—	2,437.4	—	2,437.4	310.0	378.3	688.3
Services	256	0.6	—	5.7	6.7	95.6	108.6	748.1	87.5	835.6
Total	2,432	17,004.1	2,887.9	1,618.0	3,471.7	112.7	25,094.4	8,141.9	13,347.3	21,489.2

of Finance) and grown, through the development of public administration of the country, to the higher status organization. It was upgraded to be the Ministry of Cooperatives in 1952, but was abolished in 1963, divided into three departments, namely the Department of Cooperative Credit and Marketing, Land Cooperatives and Cooperative Auditing under the Ministry of National Development. The Ministry of National Development was liquidated in 1972, and the three cooperative departments were, once again, reorganized into two Departments, i.e. the present Cooperative Promotion Department and the Cooperative Auditing Department, under the Ministry of Agriculture and Cooperatives.

2.2 The guidelines for state policies related to cooperatives were incorporated in the Constitution and the cooperative development plan has been integrated into the National Economic and Social Development Plan since the First Plan in 1962.

Areas of Development

2.3 The government's tasks in cooperative promotion involve the following fields :

2.3.1 Cooperative Legislation : The government enacted the first Cooperative Act B.E 2471 to serve as a legal framework for cooperatives to operate according to cooperative principles and practices, and has from time to time amended the law to facilitate the efficiencies and growth of cooperatives. To encourage the cooperative system, the government has granted exemption of legal person taxation for cooperatives.

2.3.2 Technical and Training Aspects : One of the main tasks in the cooperative promotion is to publicise the cooperative ideology, principles and practices as well as to organize cooperative education and training programmes for members, board members, management staff and the officials of the Cooperative Promotion Department.

2.3.2.1 Although, cooperative education and training is a function and responsibility of the Cooperative League of Thailand, the National Cooperative Organization, the Cooperative Promotion Department (CPD) still has to play a significant role both for agricultural and non-agricultural cooperatives. However, CPD has

made many efforts to support CLT to strengthen and equip itself sufficiently with qualified staff, technical equipment and budgetary requirement so that it will be able to play a bigger role in cooperative education and training. The National Agricultural Cooperative Training Institute (NACTI) is another cooperative training functionary body set up with financial assistance of the European Economic Community (EEC). NACTI also received a subsidy of about 2.0 million baht (US \$ 80,000) annually through CPD for its responsibilities in management training for agricultural cooperatives. CLT is responsible for training committee men, management staff and employees of non-agricultural cooperatives whereas CPD is responsible for training agricultural cooperative committee men, members and prospective members as well as local CPD officials through its Training Division's 10 Regional Training Centres throughout the country. CPD's Training Division has also conducted the one year course on cooperative studies for students who completed the secondary school and aim at working as CPD officials or cooperative employees. The training Division, through its Central Training Centre, is responsible for training CPD officials in both central and local administrations.

2.3.2.2 Another important task of CPD is to conduct the studies and researches for both technical and practical benefits in the improvement of the cooperative promotion system.

2.3.3 Financial assistance : The basic problem of cooperatives is the lack of sufficient capital to operate the business activities to serve their members' economic and social needs. The government, therefore, has set up the Bank for Agriculture and Agricultural Cooperatives to be the source of finance for agricultural cooperatives which include fisheries cooperatives, land settlement cooperatives and the registered farmer groups. Non-agricultural cooperatives which have not sufficient capital of their own could access to loans from the "Cooperative Promotion Fund" occasionally earmarked from the government budget to the Cooperative Promotion Department. At present, the Cooperative Promotion Fund amounted to 393, 779, 431 Baht.

Another financial assistance the government extended to agricultural cooperative through the implementation of the "Restructuring Programme of Agricultural Cooperatives" (1980-1984) was the subsidy for salaries of management staff of 400 financially weak cooperatives, amounting to 147.7 million baht. The subsidy

was given in full amount of salaries of manager, book-keeper, credit and marketing personnel for three years only. From the fourth year, the subsidies were being reduced on a staggering basis of 20 percent annually until the eight year when the cooperatives had to pay the full amount of salaries from their own income.

2.3.4 Infrastructural facilities : These exist in the Cooperative Promotion Department: the Engineering Division to provide engineering services to agricultural and land settlement cooperatives through the 10 Engineering Centres throughout the country. The Engineering Division is a supportive unit in providing new technology for agricultural development in various fields to the cooperatives and their members. The services include land clearing in the land settlement cooperative, projects, construction of storage and silos, processing plants, small irrigation system and water resource development facilities, as well as utilization of farm machineries and equipment for the benefits of members' agricultural occupation.

2.3.5 Supervision, advice and guidance: This is the characteristic of the government supported cooperative system especially agricultural cooperatives of which members and potential members still need assistance both materials and knowledge of cooperative enterprises. Therefore, the Cooperative Promotion Department has cadres of administrative staff and field cooperative officials to help facilitate and advise the functioning and operations of cooperatives of all types, especially agricultural cooperatives. Inspection and supervision of cooperatives together with guidance and recommendations are the functions of CPD aiming at strengthening the cooperatives to develop as the self-reliant organization.

3. GOVERNMENT'S POLICIES AND GUIDELINES FOR COOPERATIVE DEVELOPMENT

3.1 Under the Sixth National Economic and Social Development Plan of 1987-1991, the government places emphasis on eliminating rural poverty and on the fair distribution of income. Because cooperatives are institutions directly involved in rural development, the government through the Cooperative Promotion Department has set the following policies for the period of the Sixth National Economic and Social Development Plan.

3.1.1 To promote the establishment of new cooperatives. This policy expands not only the number of new cooperatives but also the membership within areas of existing cooperatives. Emphasis is placed on the quality of new members and their willingness to improve themselves under the principles and method of cooperatives. In the establishment of new cooperatives, apart from the needs of people in the localities, the preliminary research ascertaining the viability of the cooperatives to be established is also an important consideration for CPD. Support is given to promote new cooperatives including sub-district level cooperatives and multipurpose cooperatives. Examples include cooperatives for irrigation water users within areas, under the National Energy Authority's Electrical Powered Pumping Project and within irrigation areas, cooperatives for small scale commercial forestry and cooperatives for electricity users.

3.1.2 To promote and develop existing cooperatives, this policy seeks to improve the operation of cooperatives both in volume of business and financial position. Emphasis is put on the inter-connection and cooperation of various business activities of the cooperatives.

3.1.3 To encourage and assist the Cooperative Movement to have higher level or national level organizations which are strong and efficient either in the cooperative ideological promotion aspect or in the business fields such as production, marketing, transportation, finance and banking, etc. The Cooperative Movement can then gradually relieve the government of responsibility in promoting and assisting cooperatives to become self-reliant organizations.

3.1.4 To promote and improve the production and marketing system of cooperatives: This policy seeks to improve efficiency and ensure that production agrees with market demand. Appropriate technology is applied to reduce cost of production. It calls for coordination and cooperation from government agencies as well as other units concerned to support the cooperatives with technical and financial assistance as well as basic structure's services and other production requirements needed by the members.

3.1.5 To promote the ownership of land: This policy seeks to provide farmers with ownership of land or rights in using

land for farming and setting in the form of land settlement cooperatives.

3.1.6 To promote the role of cooperatives in development of members, families and communities by providing education and training to induce members and children within their families to participate in the activities of the cooperatives. Members and their families learned the principles of self-help and mutual assistance to improve their quality of life, and promote social services.

3.1.7 To use the cooperatives as a tool in promoting and developing occupation for members, women groups, and youth groups: The policy aims to improve the agricultural process, develop the rural economy and society, as well as promoting the efficient use and conservation of natural resources.

4. CREATION OF FACILITATING ENVIRONMENT FOR COOPERATIVE GROWTH

4.1 Realizing that education and training is the important input of the cooperative development, the government since 1978 has integrated the cooperative subject into the curriculum of the primary, secondary, and vocational schools and the universities.

4.2 Amendment of the present Cooperative Societies Act, 1968 which have been in progress emphasizing the following points:

- Setting up of National Cooperative Development Council comprising all agencies concerned with social and economic development of the country.
- Admission of associate membership
- Permission for non-members to invest or deposit money in cooperatives

4.3 International Cooperation. The government has promoted relations between the Cooperative Movement in Thailand and the international organizations on the basis of both cooperatives to cooperatives and governments to governments.

4.4 Development projects recently implemented, which have benefited the cooperatives and their members to a great extent.

(1) The Restructuring Programme for Agricultural Cooperatives

in poor financial condition, by subsidizing the cooperatives to hire the qualified management staff as well as improving the planning and reporting systems of agricultural cooperatives to facilitate the effective monitoring and decision-making in the operation of the cooperatives.

(2) Improve agricultural cooperative credit and marketing system for rice through the programme called "Production Credit and Marketing Linkage for Rice". Under this plan the processing plan of the provincial federations are based on the production plans of the members. The programme has helped strengthening the bargaining power of the agricultural Cooperative Movement since it integrated the marketing activities of the individual cooperative. Besides, the programme has improved the loan repayment performance of cooperative members by closely linking paddy collection with repayment. This programme has been included into the government's "Paddy Price Support Measures" by receiving a loan fund from the government amounted to 500 million Baht for buying paddy from the members.

(3) The Agricultural Cooperative Model Project which has been supported by the government of Japan. Under this project, five agricultural cooperatives in the poverty stricken areas were selected to be developed as a model for agricultural cooperative development. The programme has used the technique of total system approach in the process of development, which includes farm guidance based on appropriate technology and farm management planning of individual members. The project has helped increase the efficiencies of the members' production thereby the prices of the members products are more competitive in the market. The cooperatives under this project are serving as the example for the cooperatives throughout the country to follow.

(4) **Progressive Farmers Project.** This project has to be involved with the land settlement cooperatives which possess large areas of land. Under this project, young men who graduated from the agricultural colleges, willing to do farming occupation will be selected to settle in the areas of the land settlement cooperatives under the project. A plot of land will be allocated to each of these young farmers for farming. The government provided basic infrastructure facilities and financial assistance at the first stage. These young farmers will use their knowledge and skills they learned for the benefits of their farming occupation and at the

same time they learn the cooperative way of life and become good leaders in the localities.

(5) The programme to encourage the establishment of the cooperative insurance company to improve the financing of the Cooperative Movement as well as the members' well being. The programme is the joint efforts of the Cooperative Movement, the government and the Friedrich Ebert Stiftung (FES). The approval for this programme is now under the consideration of the cabinets.

(6) **The social and welfare activities.** The government has realized the importance of the cooperatives social objectives. Therefore, the Cooperative Promotion Department has set out the policy to promote women and youth's group activities aiming at supplementing their income and improving the quality of life of the cooperative families so that they will be a strong base for further development of the cooperatives. The Cooperative Promotion Department has been working closely with the Cooperative League of Thailand in women and youth promotion projects with the support from the ICA and FES.

(7) The Christian Children Fund (CCF) is another organization which has given support to the cooperatives for the school lunch project. Furthermore, the nutrition programme for children has been promoted in the cooperatives in rural areas by encouraging the members to grow banana to be used as the supplementary food for the school children in the communities.

5. CONCLUSION

5.1 It can be concluded that the role of government in promoting cooperative development is based on the principle that the cooperatives should be developed as self-reliant organizations. Therefore, the promotion process has been directed towards the cooperative strength and growth. While cooperatives continue to grow and become stronger, the role of government in promoting cooperative development will be gradually transferred to the Movement itself. To what extent this desired goal will be attained depends on many factors such as socio-economic environments, but the prerequisite necessary for the success of cooperative is the development of efficient and realistic cooperative concepts which has to be able to withstand human weaknesses such as egotism, indifference and lack of discipline.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN THAILAND

MR ANAN CHAMNANKIT*

1. HISTORICAL BACKGROUND

1.1 Thailand is located in S.E. Asia, bordered by the Indian Ocean and Burma in the West, Cambodia and Laos in the East, Laos and Burma in the North, Malaysia and the Gulf of Thailand in the South. Its total area is 518,000 sq. kms or approximately 200,000 sq.miles. As at the end of 30 June 1987, its total population is 53,397,745. Out of which about 80% are engaging in farming.

1.2 An unlimited liability credit cooperative or a village credit cooperative established in 1916 by the government under the special legislation called "The Civil Association (Amendment) Act, B.E. 2459 (1916)", is the oldest of Agricultural Cooperative in Thailand. This cooperative later became the model type for other cooperative, both agricultural and non-agricultural.

1.3 In 1928 the Cooperative Societies Act, B.E. 2471 (1928) was promulgated to pave the way for further development of cooperatives of various types. At the end of 1954 twenty-two types of cooperatives had been organized in Thailand, with total number of 10,338 societies. However, the most important one was village credit cooperative.

1.4 The main objective of the village credit cooperatives in Thailand was to extend to the members short, intermediate and long term loans for general farm purposes and to help relieve the farmers from severe indebtedness. The number of village credit cooperative increased from one society in 1916 to

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9,819 societies in 1954. This type of cooperative granted all loans against the mortgages of land, the appraised value of which must be well over the amount of loans, i.e. the loan amount must not exceed 60 percent of the land value. In addition, two fellow members have to stand surely for a borrowing member.

1.5 In 1943, the Bank for Cooperative was organized to serve as a financing centre of the agricultural cooperatives and to take the place of the government's direct lendings. It was superseded in 1966 by the Bank for Agriculture and Agricultural Cooperative (BAAC) which was established in that year in order to widen scope of operations to include loans to individual farmers as well as agricultural cooperatives.

1.6 In 1968, the Cooperative Societies Act, B.E. 2511 (1968) was promulgated, repealing the Cooperative Societies Act, B.E. 2471 (1928) in order to facilitate the expansion and improvement of the cooperatives. This legislation embodied two new features, i.e. the amalgamation of cooperatives and the establishment of the Cooperative League of Thailand.

1.7 In 1969 the Government of Thailand, through the then Ministry of National Development, had planned to amalgamate the small village credit cooperative into the bigger unit called "Agricultural Cooperatives" in order to create a viable cooperative at the district or local level because the small village credit cooperatives did not make any progress since the main function is limited to provision of credit and the volume of business is very small owing to the small number of member, of averaging 17 members per society.

2. PRESENT STATUS OF COOPERATIVES

2.1 At present, there are six types of registered cooperatives:

- Agricultural Cooperatives
- Fishery Cooperatives
- Land Settlement Cooperatives
- Thrift and Credit Cooperatives
- Consumer Cooperatives
- Service Cooperatives

2.2 At the end of September 1987, there were total 2,548 cooperative societies with the total membership of 2,684,774 persons as shown in the table:

No.	Types	No. of Societies	No. of Members
1.	AGRICULTURAL COOPERATIVES	1,107	854,180
2.	FISHERY COOPERATIVES	21	4,325
3.	LAND SETTLEMENT COOPERATIVES	93	82,412
4.	THRIFT & CREDIT COOPERATIVES	702	1,012,586
5.	CONSUMERS COOPERATIVES	359	655,366
6.	SERVICES COOPERATIVES	266	75,905
TOTAL		2,548	2,684,774

3.3 The cooperatives in Thailand are vertically organized at three levels: primary societies at the local level, secondary societies at the provincial level and the apex societies at the national level. As for the primary agricultural cooperative society consists of individual farmers. At the end of September 1987, there were 2,548 primary cooperatives of all types.

2.4 Three or more primaries can together form a secondary federation at provincial level. These secondary federations are at provincial level. These secondary federations undertake joint activities on behalf of their primary affiliates including processing of agricultural produce. At present, there are 73 agricultural cooperative federations functioning at provincial level. At the national level there are 9 federations of all types.

2.5 The Cooperative League of Thailand, established under the Cooperative Societies Act, B.E. 2511 (1981) is regarded as the apex organization of the Cooperative Movement to function as a promotional and educational cooperative body at the national level.

3. ROLE OF THE GOVERNMENT IN THE COOPERATIVE DEVELOPMENT

3.1 According to the sixth National Economic and Social

Development Plan (1987-1991), government is aiming at the improving of rural poverty and income generating of the rural poor. The government by the Cooperative Promotion Department has set policies for cooperative development to be implemented during the course of the Sixth National Plan as follow:

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

3.1.2 To promote and develop the existing cooperatives to be financially strong in order to render better services to the cooperative members, emphasis will be put on the integration of cooperative business and close collaboration within the Movement.

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

3.1.4 To promote and improve the production and marketing system of the cooperatives to be more efficient and cope with the market demand through the introduction of appropriate technologies to reduce the production costs and through closer collaboration with other governmental organizations and other agencies to give more support to the cooperatives in the field of technical assistance, credit and other infrastructure.

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

3.1.6 To promote the role of cooperatives in human, family, community and rural development through the member education

programmes in order to motivate the members and their family members to take more participation in cooperative activities.

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

4. AUDIT

4.1 The Cooperative Societies Act requires that every society shall be audited at least once a year by the Registrar of Cooperative Societies or some person authorized by him. In the Ministry of Agriculture and Cooperatives, there is a Cooperative Audit Department maintaining a trained staff to perform the statutory function of audit.

4.2 The work of cooperatives involves financial and trading business. It requires a lot of money to finance a revolving fund in the business. The audit of the societies shall be conducted in accordance with the rules prescribed by the Registrar of Cooperative Societies. In practice, the Registrar will appoint the auditors from the officials in the Cooperative Audit Department to go out auditing in every cooperative society in various provinces by dividing the auditors into working groups. The head of the group will take the responsibility for the work. The auditor shall submit a report in the prescribed form to the Registrar after examining business accounts.

4.3 Books of Accounts shall be kept according to the Cooperative Societies Act, B.E. 2511 which requires that cooperative society shall make a balance-sheet at least once in each accounting year of twelve months which is the accounting year of the cooperative society. After the auditor has audited and certified balance-sheet, it is then submitted to the General Meeting of the cooperative society within one hundred and fifty days from the end of the accounting year. It will also be a guarantee to the creditors of the cooperative society as well as to the government who are supervising and supporting the government loans from the bank, and budgeting etc. Also the members of the societies themselves and other people will rely upon the financial statistics of the cooperatives which always have correct supervision and inspection.

4.4 The auditor not only checks the account transactions to see

that they are recorded correctly according to accounting principles, but also study the by-laws and regulations of the cooperatives including rules and regulations issued by the Registrar, so that the auditor can make sure that the accountants of the societies have done the work correctly. It is obvious that auditing is needed and very necessary for every cooperative society.

4.5 In addition to the annual auditing, the government still has the policy to send auditing officers to audit cooperative societies in the various provinces sometimes during the year as much as the budget of the Cooperative Audit Department will allow. By this means, corruption and heavy losses which would occur to the society can be prevented and the cooperatives have to comply with the financial regulations.

4.6 There is also a Registrar of Cooperative Societies in the government organization. According to the Cooperative Societies Act, B.E. 2511 (1968), the Cooperative Registrar is responsible for registration of cooperative societies, appointing cooperative auditor and other works fixed in the Act. At the present time, the Director-General of the Cooperatives Promotion Department is appointed as the Registrar of Cooperative Societies.

ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES IN THAILAND

DR CHERN BAMRUNGWONG*

1. HISTORICAL BACKGROUND

1.1 The Cooperative Movement in Thailand was started on February 26, 1916 with the initiation and assistance of the then government which had been gravely concerned with deteriorating economic and social conditions of the masses of farmers especially in the Central Region of Thailand. Rice production and trade were becoming commercialised, but peasant farmers, vis-a-vis rice millers and middlemen, could not benefit fully from the situation. Moreover, the vagaries of nature, rain fall, on which the production of paddy depended were putting them into chronic and severe indebtedness due to being unable to repay their loans. Consequently, they were losing their farm lands, becoming landless labourers and leaving their debts unpaid.

1.2 The Cooperative Movement, from its inception, was being assisted, guided, supervised and controlled by the government with the objectives of maintaining for the farmers land ownership, reasonable income and social status. Moreover the government, wanted to inculcate among the people the practice of thrift, self-help and mutual assistance.

1.3 At the initial period, only village credit cooperatives of unlimited liability type were being established, until 1938 when diversification of cooperative activities were covering consumers, marketing, land settlement and land hire-purchase.

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1.4 In 1943, the government set up a Bank for Cooperatives with government capitalization. Village credit cooperatives were urged to increasingly hold share capital in the bank with the hope that they would, in future, be owners of the bank which was their own financing centre. Ten years later, in 1952 and 1953, two provincial cooperative banks were established in Chiang Mai and Uttaradit provinces respectively by the affiliation of village credit cooperatives in each of the two provinces. The two provincial cooperative banks were serving their affiliates so well both in their credit needs and depositing surplus funds, that a programme for setting up new provincial cooperative banks was formulated. Unfortunately, the enactment of a new "Commercial Banks" Law in 1962 laid down that acceptance of deposits on "current accounts" could be operated only by commercial banks which must be organised in the form of "limited company". The two existing provincial banks had, therefore, to be reorganised into federations of credit cooperatives, and a programme to set up new cooperative banks was dropped.

1.5 In 1966, the government-cum-credit cooperatives owned Bank for Cooperatives was reorganised into the "Bank for Agriculture and Agricultural Cooperatives" as a state enterprise, functioning as a financing centre of agricultural cooperatives and lending directly to individual farmers as well.

1.6 The abolition of cooperative agricultural credit structure at the provincial and national level was directly responsible for the weakness of agricultural credit and cooperatives in Thailand until now. Although a great effort was being made to strengthen them by the introduction in 1959 of production credit cooperatives and in 1969, of the amalgamation of village credit cooperatives into multipurpose, agricultural cooperatives at a district level, they have still structurally remained weak and slow in their expansion.

1.7 At present, the Cooperative Movement in Thailand, is divided into six types. Their status, as at the end of 1987, is shown in table No 1.

1.8 All types of cooperatives, except for the fisheries and service cooperatives are organised into federations either at provincial or national levels or both. The agricultural cooperatives in each province throughout the country have, for example, one provincial

TABLE 1

STATUS OF COOPERATIVE MOVEMENT

Type	No. of prima- ries	Member- ship (house- holds)	Owned capital (mill)	Assessts (Mill. baht)
1. Agricultural Cooperatives	1076	838,330	3232.4	8526.00
2. Fisheries Cooperatives	20	4,001	11.7	33.2
3. Land Settlement Cooperatives	92	76,270	195.8	597.1
4. Cooperative Stores	346	508,689	415.8	722.0
5. Service Cooperatives	255	65,324	104.5	779.0
6. Thrift and Credit Cooperatives	662	1,037,196	15,504.0	19544.1
TOTAL	2451	2,529,810	19,464.2	30201.4

Source: Cooperative Promotion Department. (USD 1 = Baht 25)

federation. And all 73 provincial agricultural cooperative federations are affiliates of the Agricultural Cooperative Federation of Thailand Ltd. (ACFT). Land-settlement cooperatives in the Central Region have a regional federation, whereas thrift and credit cooperatives are affiliated in a national federation. All cooperative stores are also federated into a national federation.

1.9 At the national level, there exist the "Cooperative League of Thailand (CLT)" established in 1968 as an apex organisation of all cooperatives of all types, which have, according to the Cooperative Societies Act of 1968, to be its affiliates. CLT does not run a business enterprise; it operates as a promotional, ideological national organisation of cooperatives throughout the Kingdom of Thailand.

2. PRESENT STATUS OF COOPERATIVES

2.1 The promotion of cooperatives has long been accepted a function of the government since 1915 when a "Cooperative Section" was first instituted in the Department of Commerce and Statistics, Ministry of Royal Treasure, now Ministry of Finance. The Cooperative Section was, through the development of public administration of the Kingdom, upgraded and grown to the status of Department of Cooperatives in the Ministry of Commerce in 1920. However, the Department of Cooperatives was transferred in 1920 to the Ministry of Agriculture when the latter was instituted in the same year.

2.2 A big change in the administration of cooperative promotion had taken place in 1952 when the Department of Cooperatives was made the Ministry of Cooperatives with four functional departments, i.e. the Department of Cooperative Credit, Cooperative Commerce, Land Cooperatives and Cooperative Auditing. But in 1963, the Ministry of Cooperatives was abolished, and the four departments were reorganised into three departments i.e. the Department of Cooperative Credit and Marketing, Land Cooperatives and Cooperative Auditing. They were attached to the Ministry of National Development which was instituted in the same year. During the period of the Ministry of Cooperatives (1952-63) the government had strong but not so deliberate policies to promote and expand cooperatives of various types, both agricultural and non-agricultural.

2.3 In 1972, the Ministry of National Development was liquidated, and the three cooperative departments were, once again, reorganised into two departments i.e. Department of Cooperative Promotion and the Cooperative Auditing Department, which have since then been under the general supervision of the concurrently reorganised Ministry of Agriculture and Cooperatives. At present, it is, therefore, the Ministry of Agriculture and Cooperatives which undertakes responsibility of promotion, supervision and control of cooperatives of all types, both agriculture and non-agriculture.

2.4 Thailand is a single state of which Cooperation is a national subject with federal, organisational structure of local, provincial or regional, and national organisations. But non-agricultural cooperatives are organised in a two-tier structure. However, the guidelines for state policies related to cooperatives, as incorporated in the Constitution, have undergone changes from the extension of encouragement and support of cooperatives of all types in the Constitution of 1974 to rendering support only to farmers cooperatives in the present Constitution of 1978. A weakening tone of support given to cooperatives states in clause 67 that "...the State shall encourage farmers to organise cooperatives and other forms of organisations". Consequently, various forms of farmers institutions, e.g. farmers associations, farmers-clientele groups of the banks, saving-for-production groups and water-users groups have been in existence side by side and in competition with one another.

2.5 It should be noted that the weakening tone of state policy guidelines of 1978 Constitution was, in 1983, followed by an unclear policy statement of the government to support farmers institutions and, particularly, farmers cooperatives, while at the same time, it promoted private sector to carry on agri-business and agro-based industries as well. Obviously, the government had not much confidence in the abilities of cooperatives to carry on business enterprises as efficiently and effectively as other business undertakings in the private sector.

2.6 Although cooperatives are practically represented neither in the National Parliament nor the political parties, they still find specific places in the five-year programme of national economic and social development of the country. But only the agricultural or rural cooperatives are emphasized. The Fifth.

National Economic and Social Development Programme (1982-86) recognised the problems of farmers institutions which were so multifarious that it proposed clearly a rationalisation of various categories of institutions by turning them into one single category of farmers cooperatives. This objective has not been fulfilled but it was allowed to implement further during the Sixth Programme (1987-91). The chance of success is very thin unless deliberate policies and strategies are carefully formulated to strengthen the existing cooperatives, and to restructure government departments concerning with promotion and support of various forms of farmers institutions in order to avoid competition and duplication of works among them and confusion among the farmers.

2.7 The cooperatives have not, so far, been represented in the planning bodies of the country, but the Cooperative League of Thailand and the Agricultural Cooperative Federation of Thailand have representatives in certain advisory boards or ad hoc committees appointed by the Ministry of Agriculture and Cooperatives. These two national cooperative organisations, with assistance from the Cooperative Promotion Department, make their own operations and development plans under their respective jurisdiction.

3. OBJECTIVES AND ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES

3.1 The *raison d'etre* of an introduction in 1916 of cooperative system into Thailand was of socio-economic consideration. The target group was, first of all, peasant farmers who were falling into indebtedness due to unstable and insufficient income from paddy production and, hence, losing their farm ownership. The raising of farm income and preserving landownership for farmers was, therefore, the first objective of the government. Once the farmers cooperatives were in operation with moderately satisfactory result, the spread of cooperative idea and value interested the people in urban areas, especially among the civil servants and general public alike. Then came into existence the consumers' cooperatives, i.e. cooperative stores, which the government in World War II intended them to be distributors of scarce commodities and necessities at fair prices to the people.

3.2 Through decades of cooperative development in Thailand and understanding of the nature and principles of Cooperation,

the government invariably promotes and supports cooperatives to achieve the following objectives:

- (i) to develop a self-reliant and decentralised economic system,
- (ii) to increase agricultural production and promote rural development,
- (iii) to develop an organisational agency to implement government policies and, particularly for agricultural cooperatives, to build instrument of economic planning,
- (iv) to diversify cooperative organisations to cover various economic activities and social services,
- (v) to develop self-reliance among people,
- (vi) to promote self-government and democracy,
- (vii) to bring about economic democracy and social justice and
- (viii) to promote higher quality of life among the disadvantaged and low-income people.

3.3 As to the role of government in cooperative development, it could be said without mistake that the government had, from its inception, an active and deliberate policy to promote and assist the development of farmers cooperatives only as an experimentation in 1916. Other types of cooperatives were promoted and allowed to register well after 1928 when the Cooperative Societies Act, B.E. 2471 (AD 1928) was promulgated.

3.4 After studying the possibility of organising cooperatives for farmers, the government enacted in 1916 the "Civil Association, Annexation, Act, BE 2459". The idea was to try out whether cooperatives, as an economic organisation of the farmers, could be promoted and prospered in Thailand. This act, based on the Civil Associations Act, BE 2457, was in force until 1928 when the Cooperative Societies Act, BE 2471 (AD 1928) was enacted; after the government had been satisfied with the result of farmers cooperatives of the Raiffeisen type organised during the trial period. The Cooperative Societies Act, BE 2471, was amended twice and remained in force until 1968, when it was repealed and replaced by the present Cooperative Societies Act, BE 2511 (AD 1968).

3.5 From the very beginning the government arranged for the newly organised village credit cooperatives to borrow from a commercial bank loanable funds to relend to their farmer members, with the government guarantee of repayment by cooperatives. This practice was going on until the Bank for Cooperatives was in operation in 1947. This bank was established in 1943 by an Act of Parliament with government fundings, and the cooperatives were encouraged to buy shares in the Bank, with the hope that it would in future be totally capitalised by the borrowing cooperatives. Meanwhile, two provincial cooperative banks were organised by the federation of village credit cooperatives in each province. This was certainly the right move for the credit cooperatives to have and administer on cooperative basis, their own financial institutions. Then came a setback when the two provincial cooperative banks were ordered in 1963-64 to be reorganised into provincial federations of agricultural cooperatives; and the Bank for Cooperatives were in 1966 abolished and replaced by the present Bank for Agriculture and Agricultural Cooperatives which were, in subsequent years, becoming stronger and stronger competitors of the agricultural cooperatives in their lending operations. As a result, farmers cooperatives could not as yet sufficiently rely on themselves for loan funds both for production, marketing and facilities loans. The government has, therefore, had to make supplementary or project loans on very limited amount to farmers cooperatives, although the Movement has now been in existence for 72 years in 1988.

3.6 Another financial assistance the government extended to farmers cooperatives during the implementation of the "Restructuring Programme of Agricultural Cooperatives" (1980-84) was the subsidy for salaries of management staff of 400 financially weak cooperatives, amounting to Baht 147.7 million (USD 5.9 million). The subsidy was given in full amount of salaries of a manager, book-keeper, credit and marketing personnel for three years only. From the fourth to seventh year, the subsidies were being reduced on a staggering basis of 20 per cent annually until the eighth year when the cooperatives had to pay the full amount of salaries from their own incomes.

3.7 Other financial support given by the government to agricultural cooperatives are in the form of lease of properties, such as wharves and godowns, or sale of factories and equipment on hire-purchase. Income-tax exemption for cooperatives of all

types gives them a boon to pay dividend and patronage refund to their members as well as to accumulate statutory reserves. However, cooperatives have to pay business taxes except, in the case of agricultural cooperatives, for business transactions between cooperatives and their members.

3.8 Promotion of cooperatives is one of the most important roles of the government throughout the history of cooperative development in this country. This activity is still more essential for agricultural or rural cooperatives of which members and potential members need some degree of assistance both materials and knowledge of cooperative enterprise. Therefore, the Cooperative Promotion Department has cadres of administrative staff and field cooperative officials to help facilitate and advise the functioning and operations of cooperatives of all types, especially farmers cooperatives. Inspection and supervision of cooperatives together with guidance and recommendations are functions of this department.

3.9 Although cooperative education and training is a function and responsibility of the Cooperative League of Thailand (CLT) the national cooperative organisation, the CPD still has to play a significant role both for the agricultural and non-agricultural cooperatives. This is because of the present limitation of resources of CLT both financial and technical personnel. However, the CPD has always borne in mind the need and importance of CLT to strengthen and equip itself sufficiently with qualified staff, technical equipment and budgetary requirements, in order that it will be able to play a bigger and better role in cooperative education and training. Therefore, a subsidy of Baht 2.7 million (US\$108,000) was provided in the 1987 national budget for implementing education and training programmes for the non-agricultural cooperatives. Management training for agricultural cooperatives from 1981-87 was assigned to the National Agricultural Cooperative Training Institute (NACTI), a provisional organisation set up with financial assistance of the European Economic Community (EEC). NACTI also received a subsidy of about Baht 2 million (USD 80,000) annually from the CPD. From 1988 NACTI is also to be merged with CLT and becomes a Cooperative Training Institute of CLT with a government subsidy of Baht 4 million (USD 160,000) annually until CLT can bear the responsibility from its own income. Meanwhile, CPD and CLT coordinate and cooperate closely the implementation of cooperative education.

and training programmes concerning target groups, curricular and methodology. Research in cooperative subjects and performance including statistics has also been undertaken by CPD, although CLT has been steadily encouraged to take up the functions in accordance with its capability and resources.

3.10 The auditing of cooperatives of all types has from the beginning, been the function of the government. At present the Cooperative Auditing Department (CAD) with its provincial offices throughout the country undertakes annual and in certain cases, interim audit of both cooperatives and "farmers groups", a juristic self-help organisation, also supported by the government. Some idea has been mooted for gradual transfer of cooperative auditing from the government to the Movement in due course of time. For this purpose, CLT is most appropriate to take up such responsibility first, with the auditing of non-agricultural cooperatives e.g. thrift and credit cooperatives and cooperative stores, which are capable of paying audit fees. It now depends on the strength and abilities of CLT to assume its full responsibilities as a promotional and ideological apex organisation of all cooperatives in Thailand.

3.11 The construction or provision of infrastructures for cooperatives especially in the rural areas is another distinct role of the government in cooperative development. Around 3,000,000 rai (480,000 hectares) of deforested, reserved lands have so far been provided to landless or submarginal farmers through organisation of land settlement cooperatives. Under the scheme, certain essential public services, such as land clearing, roads and reservoirs construction, etc. have been provided. Small irrigation facilities and small hydro-electricity are other examples, though limited in number, of infrastructures constructed for the benefit of rural people. They were encouraged to organise agricultural cooperatives or waterusers' cooperatives and rural electricity cooperatives in the areas concerned.

4. COOPERATIVE LEGISLATION

4.1 The present cooperative law, the Cooperative Societies Act, BE 2511 (1968) has been in force for 20 years, and was amended four times. The first and second amendments were made in 1972 authorising the registration of a 'farmers group' as a juristic, self-help and economic organisation at a 'tambon'

(around ten villages) level. The third amendment authorised the Minister of Agriculture and Cooperatives to approve a disbursement of the interest of the 'Central Cooperative Fund' for the Cooperative League of Thailand to carry out its objectives. In 1981, the fourth amendment was made to include a manager of a cooperative among the board members to be legally assigned to act on behalf of the cooperative in dealing with a third party. There were also minor amendments on the rate of dividend a cooperative can pay to its members, which was more flexible.

4.2. Such amendments of the Cooperative Societies Act, BE 2511, as mentioned in 4.1 are, principally, not so vital to the structure of cooperatives, except for the establishment of 'farmers groups' which becomes a 'dual system' of agricultural cooperatives in Thailand. Hence, paddy-farmers groups, fruit-trees farmers groups, fishermen groups, livestock-raising groups, etc. have sprung up in numerous quantity, doing businesses on a cooperative basis and in the same manner as a cooperative registered under the Cooperative Societies Act, BE 2511, but in a smaller extent and more limited purposes. Consequently, farmers are confused with which farmers institutions they are going to be affiliated, cooperatives or farmers groups. It also confuses agricultural extension works, since the extension officers tend to serve more among members of farmers groups to the negligence or disadvantage of members of cooperatives although they are farmers of the same lands and nationals.

4.3 The dual system of farmers institutions is obviously an obstacle to the growth and progress of agricultural cooperatives as it should have been. The direct lending of agricultural loans to individual farmers, clients of the Bank for Agriculture and Agricultural Cooperatives (BAAC) makes the situation even worse. The Bank, the cooperatives and the farmers groups are competing one another in registering new clients and members to the extent that is detrimental to a sound and orderly growth of institutional agricultural credit of the Kingdom. Farmers have been generously offered unnecessarily high credit ceilings so as to see that a good many of them cannot repay their loans in full when fall due. Bad practices of granting new loans of higher amount to repay the old ones including interest have been tacitly accepted especially by the Bank. Hence, agricultural credit, though expanded, cannot be based on a firm foundation of farmers' increased income and savings. Therefore, borrowings

both from the government and non-government institutions have been the main sources of the Bank's fund for some time to come.

4.4 The shortcomings and obstacles arising from the old, obsolete cooperative law should be carefully studied and a new law be enacted to replace the old one. In doing so some points of immediate concern should be taken into consideration as follows:

(i) To abolish a dual system of farmers cooperatives by eliminating the registration of farmers groups and transforming the existing ones into farmers cooperatives proper.

(ii) Legal obstructions to the carrying out of cooperative bank and insurance should be eliminated and make ways for turning the Bank for Agriculture and Agricultural Cooperatives into the Bank for Agricultural Cooperatives, a national financing centre of farmers cooperatives.

(iii) Concerning the format of the cooperative law, a sequence of provisions and sections should be rearranged for purposes of simplicity and conformity with the model cooperative law of state-sponsored cooperative pattern, which is easy to grasp by common people.

(iv) Duties and powers of the Registrar of Cooperatives should be stated more precisely and in accordance with state-sponsored cooperative pattern of modern times.

(v) Provisions relating to the formation of cooperatives should be made more deliberate concerning steps of activities to be performed by promoters and government officials.

(vi) Privileges and duties of cooperatives should be made more comprehensive and clear with the intention to encourage initiatives, involvement and responsibility on the part of the cooperative members, board of directors and management staff of the cooperatives.

(vii) Rights and responsibilities of cooperative members should be clearly provided for easy understanding and membership participation.

(viii) Organisational structure and management of cooperatives

should be stated more deliberately for sound operations and self-control.

(ix) Provisions on transfer and division of cooperatives should be included in the law to enable flexibility of structural adjustment of cooperatives of modern times.

(x) Settlement of disputes within the cooperative circle should be provided for the sake of convenience, time-saving and economy.

5. LEGAL ASPECTS OF COOPERATIVE INSPECTION AND AUDIT

5.1 According to the Cooperative Societies Act, BE 2511, the Registrar of Cooperatives is empowered to appoint inspectors of cooperatives, practically from officials of the Cooperative Promotion Department. They are to examine and investigate into the activities, performances and financial conditions of cooperatives. The district cooperative officials are assigned to supervise the undertaking of internal checks made by cooperative personnel. Inspection reports are made, through CPD, to the Registrar, whether there is any shortcoming or undue performance done to the cooperatives or their members.

5.2 The Registrar of Cooperatives is also empowered to make audit of all cooperatives. But in practice, he appoints by written orders the officials of the Cooperative Auditing Department (CAD) to be auditors, and entrusts them with power to make an annual and, in selected cases, interim audit of cooperatives. It is legally required that every cooperative has to make an annual report showing the results of operations and submits them together with a balance sheet to the general meeting for approval within 150 days after the end of its accounting year. A copy of the audit report together with a financial statement and critical analysis of business performances of the cooperative will then be submitted, through CAD, to the Registrar for his consideration. Directions and recommendations based on the report will be made to the cooperative to improve or rectify its defects or irregularities, if any. They do more often than not, indicate guidelines of actions for cooperatives to consider.

6. CONCLUSION

6.1 The roles of government in the development of cooperatives

in Thailand should be deliberately carried out with more emphasis on agricultural cooperatives than non-agricultural cooperatives, since, at present, the latter are advancing at a faster rate, both quantitatively and qualitatively. Moreover peasant farmers still make about three-fourths of the total population; their socio-economic status is generally lagging behind those of the minority in the urban areas. Therefore, measures of promotion, control and audit of urban cooperatives should be more relaxed and make them self-reliant on what they can provide or serve themselves, such as education and training, financial and personnel management, and audit. This is by encouraging and strengthening their own national federations and the superstructure of the CLT.

6.2 As for agricultural cooperatives, the problem of multifarious grouping of farmers must be immediately solved otherwise various kinds of farmers institutions still pose a real danger to a sound and orderly development of farmers cooperatives in this country, since they entail invariably (i) the farmers' confusion as to the true meaning of 'cooperation', (ii) inefficiency of government administration on rural development, (iii) disunity and weakness of farmers organisations based on self-help and mutual assistance, and (iv) slow progress in the development of farmers Cooperative Movement,

6.3 The overall government policy towards cooperative development should be gradually changed from that of 'statefathered movement' to the 'promotion of basic facilities'. Therefore, the phasing out of government influence over the Cooperative Movement should be planned and implemented as follows:

(i) A new Cooperative Law should be enacted eliminating legal obstructions to cooperative enterprises, being simplified and comprehensive for the promotion, support and regulation of the so-called 'state-sponsored cooperative system' and developing ultimately a self-reliant and independent Cooperative Movement.

(ii) Government assistance should be concentrated on education, promotion, tax concession, provision of essential incentives etc.

(iii) Government cooperative officials must be trained and reoriented in such a way that their attitude towards cooperatives will be that of respect for independence and autonomy of cooperatives as self-help organisations.

(iv) All cooperatives, especially agricultural cooperatives, should be graded into categories according to their financial strength and performance, in order to make them subject to differing degrees of government supervision and control. For this purpose, criteria and conditions should be defined and time limits fixed for which a cooperative has to meet in order to change from one category to another.

(v) The Cooperative League of Thailand shall be encouraged to play a greater and greater role in the field of cooperative education and training, research, coordination and cooperation, publicity and propaganda while the government will gradually relinquish its roles to the creation of facilities and environment conducive to cooperative development.

**PAPERS FROM REPRESENTATIVES OF
INTERNATIONAL ORGANISATIONS**

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT

DR MAHMOOD ALI KHAN*

1. INTRODUCTION

1.1 Cooperative enterprises are essentially non-governmental, and have their own distinct socio-economic philosophy and character. Due to this uniqueness, most governments have been attracted to them in the past. Present governments also consider the cooperatives as the most appropriate rural institution to reach out the large numbers of small and marginal farmers, workers, women and youth. Historically speaking, co-operatives developed in Asia at the initiative of governments.¹ They continue to depend even today on governments to a large measure.² An analysis of past performance of the Cooperative Movements therefore becomes necessary in discussing the pros and cons of the role of governments in promoting the cooperative development. In a regional meeting like this one and in the absence of a scientific study, one is obliged to rely on experience and the country reports. Hopefully this consultation will be useful in

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¹ During the past decade, some relatively successful efforts have been made to promote cooperatives outside the influence of governments. The Philippines and Pakistan may be referred to where the Christian Church and Agha Khan Foundation have respectively organised a number of cooperatives both in urban and rural areas.

² Governments have been responsible for conceptualising, planning, providing legal framework, educating members, training staff and office-bearers, financing, administering (registration, audit, inspection, arbitration, liquidation, deregistration) and sometimes direct management.

identifying the role of governments in cooperative development and also in recognizing the limitations of this role.

1.2 There is no doubt that cooperatives have made, in general, valuable contributions to agricultural development in many parts of Asia. Cooperatives have functioned as a means of introducing bio-chemical and agro-mechanical technologies to the farmers, mobilising savings and channelling of loans, managing a scarce resource such as water and maintenance of water-channels, as well as in various other ways. There are many outstanding examples of successful cooperative enterprises in respect of agricultural services, agricultural processing, thrift and credit, industrial production, agricultural exports, etc. Indeed in these enterprises the governments played a useful role which was, generally speaking, limited to financial support, fiscal exemptions, guidance, and encouragement in a promotional sense.

1.3 At the same time, it is also true that a very large number of cooperative enterprises have not succeeded. What went wrong? What has been the role of governments in respect of these cooperatives? In a national framework, it is the department of cooperative societies which is primarily concerned with the cooperative development. The pioneers of Cooperative Movements who directed these departments in the beginning of the present century were benign administrators and committed to the cause of cooperative development. As a legacy of these pioneers, the departmental staff have ever since been called friends, philosophers and guides of the Cooperative Movements and have 'de facto' assumed the role of leadership in the Cooperative Movements. Earlier the leadership role was limited but it expanded considerably after the 60s with governments focus on agricultural and rural development. The cooperative leadership, which is defacto the departmental officials, is ready to accept immediately the suggestions of a government, whatever and whenever made, to introduce, abandon, adopt, and/or expand any activities through the Cooperative Movement.

1.3.1 Such suggestions may range from distribution of farm inputs to adoption of interest-free loaning or to the generation of employment for unemployed youth. From the point of view of people at large, it poses no problem as the people and local elite seem to accept the co-operative system as a part of the government programme. Furthermore it entails no or very little

sacrifices and efforts on the part of the people themselves. Rather it brings to their door-step farm supplies, allows them subsidies or makes easy credit available. The governments see cooperative societies in developing countries of Asia essentially as an instrument of change and as an institutional arrangement necessary in the implementation of a development programme.

1.4 During the last three decades, agricultural and rural development has progressed reasonably. Infrastructure has improved, agricultural production has more than doubled, credit supply has increased tremendously, and per capita income has gone up manifold. One would expect that co-operatives would have also become socio-economically viable. It is, however, ironic to observe that cooperatives have not 'taken-off' as yet. The past three decades of development have not generally strengthened the Cooperative Movements. Rather there is degeneration in some countries and in some sub-sectors of the cooperative economics.

1.5 On balance, it may be stated that governments⁵ have a vital role to play in cooperative development among Asian developing countries. What that role should be, where the boundaries lie, how that role should be performed are very important issues relevant to each country. This is perhaps the most opportune time to look back at what has happened to the Cooperative Movement over the past four decades. Any prescription for the future should keep in mind the inherent limitations posed by a government bureaucracy and the structural constraints to people's participation in a rural/urban setting.

2. INTERNATIONAL STANDARDS

2.1 The International Labour Organisation has been in the forefront for decades in assisting the promotion of people's participatory organisations as cooperatives for the socio-economic development among low-income and vulnerable groups of Asian societies. Through various Resolutions, Recommendations and Conventions, it has called upon the member states to undertake measures necessary to the promotion of co-operatives and other forms of organisations of rural workers. The following standards may be particularly referred to in pinpointing the role of the governments in promoting the people's organisations such as cooperatives:

Recommendation 127

2.2 The General Conference of the International Labour Organisation adopted in 1966 a Recommendation concerning the role of co-operatives in the economic and social development of developing countries. The governments are called upon *to formulate and carry out a policy under which co-operatives receive aid and encouragement*, of an economic, financial, technical, legislative or other character, *without effect on their independence*. The recommendation further provides methods of implementation concerning legislation, supervision, education and training, administrative and financial aid. *"Such aid should not entail any obligations contrary to the independence or interests of cooperatives, and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives."* The text of this Recommendation underlines the fact that assistance is to be rendered by the governments when necessary and preferably to be provided by through a federation of co-operatives. Unfortunately the federations of cooperatives have mostly not been in such an effective position as one might desire. Therefore the governments took upon themselves the formulation of the cooperative policy and its implementation, and have thereby disregarded the qualifying part of the Recommendation; namely (a) without effect on their (cooperatives) independence, and (b) encourage rather than replace the initiative and effort of the members of cooperatives.

Recommendation 149 and Convention 141

2.3 A Recommendation and a Convention concerning Organisations of Rural Workers and their Role in Economic and Social Development was adopted by the General Conference of the International Labour Organisation in its 1975 session. The member governments are called upon to adopt and carry out a policy of *active encouragement*. Means of encouraging the growth of organisations of rural workers are legislative and administrative measures, education and training, public information, and financial and material assistance. However, the role of the government as envisioned here is different from Recommendation 127 in its essential character. It is more in the spirit of eliminating obstacles or extending equal facilities or protection against dismissal/eviction arising from his/her status as member/leader of the organisation rather than active involvement of the governments. In the case

of Recommendation 149, the government's financial assistance is limited to carrying out programmes of education and training on a co-sharing basis and in a manner which respects the independence and interests of the workers' organisation. Article 3 restricts the role of the government under two clauses. The first is the right of members to establish and adopt rules of their organisation without previous authorisation. Second is that an organisation shall remain free from all interference, coercion and repression.

World Renowned Opinions

2.4 Two other quotes relevant to the role of governments vis-a-vis cooperatives may perhaps be added here due to their general acceptability and recognition. Prof. Lazlo Valko states, "Practical experience shows that state administration, after a certain time, will retard the growth of cooperatives. It will slowly eliminate the internal energy of self-determination. Such administration will be petrified into a rigid state bureaucracy which will nullify the latent sources of economic potentiality that can develop only in free cooperatives". This observation is borne out by the fact that cooperative development had made impressive gains at early stages of their initiation in many south Asian countries.

2.5 Pandit Jawaharlal Nehru, Prime Minister of India, once said, "...the essence of the Cooperative Movement is its non-official, self-dependent and self-reliant character...the Cooperatives should be free to make mistakes, if they want to." Addressing State Ministers of cooperation he further commented that "Nothing can be more fatal than government control, which is the embrace of death...I dislike the association of government in cooperation except as an agency helping in funds etc."

3. INTERVENTION FOR CHANGE

3.1 It is easily agreed that governments have a positive role to play in the cooperative development. It is more difficult however, to agree on the limits that may be imposed on the role of governments. Past experience has shown that the governments as friend, philosopher and guide have practically controlled the cooperatives in what Nehru described as an embrace of death. Therefore the government should abandon its role of friend,

philosopher and guide, a role which includes *fixation of targets, programming and planning* of activities, *management and supervision*. Education of members, arbitration and training should be undertaken by the apex cooperative organisations. The government department should be responsible only for the *registration, audit and deregistration* of cooperatives.

3.2 Even if we agree on the above, no change will occur in a country unless some critical interventions are made. Any critical intervention is country specific, and therefore cannot be prescribed. However, certain fundamental areas requiring interventions may be indicated below:

- (a) establishing a national council for
 - (i) a policy dialogue between the government and the Cooperative Movement,
 - (ii) gradually phasing-in deofficialisation.³
- (b) organising autonomous Development Boards/Federations/Centres etc. in subsectors of cooperative economy to promote, assist, develop, monitor and backstop cooperative enterprises (new or old) in the private sector. Government financial assistance and aid should be for a definite period and thereafter it should cease.
- (c) Cooperative Council/Unions at regional and national levels should be financially assisted by governments to undertake various functions appropriate to their structure and capabilities.

³ Weeraman P.E.; *The Effect of Cooperative Law on the Autonomy of Co operatives in South-East Asia*. ICA (Cooperative Series 14), New Delhi, 1974, p. 54.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE DEVELOPMENT IN AFRO-ASIAN COUNTRIES

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1. INTRODUCTION

1.1 With a view to improving economic and social condition of the masses, cooperatives are required to take on the responsibility of managing enterprises which are democratically controlled and in which the role of capital is limited to its production function, their primary demand on the State being recognition of their right to exist and to develop. A cooperative society may thus be defined as a society which has its objective the economic and social betterment of its members through mutual aid and which conforms to the cooperative principles. ILO has defined a cooperative as an association of persons who voluntarily come together to achieve a common end to the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertakings in which the members actively participate. The International Cooperative Alliance puts the cooperative as a voluntary and autonomous association of persons or of societies functioning in conformity with the cooperative principles for the economic and social betterment of its members by means of one or more common undertakings, based upon mutual aid, democratic management and non-profitable operations.

1.2 The cooperatives may be of different types working in different fields. There are single purpose cooperatives dealing with only one specialised subject, or single commodity as against the multi-purpose societies. In the Afro-Asian region, most of

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the cooperatives confine themselves to the agricultural credit. There are also cooperatives dealing with all aspects of one commodity viz. sugar cooperative and dairy cooperative in India. In Japan, Republic of Korea and Republic of China (Taiwan), there are multi-purpose cooperative societies dealing with various aspects of agricultural development. In this paper, an attempt has been made to focus on the various aspects of development of agricultural cooperatives in the developing countries in general and Afro-Asian region in particular.

2. HISTORY OF COOPERATIVES

2.1 The Cooperative Movement in developing countries of Afro-Asian region traces its birth mainly from the initiative taken by the foreign governments who ruled most countries of the region. To begin with, cooperative societies appeared in Indonesia in 1896 and in India in 1904, as a result of legislation introduced by their governments. As most of developing countries were the former colonies of the British empire, they inherited an economy previously dominated and shaped for the advantage of the colonial power. This had the obvious effect that the policies and institutions inherited at the time of Independence, favoured not the local population but served the interests of those in power. In Kenya, indigenous farmers were denied the right to grow high value cash crops on their account and the cooperatives which served the rulers' interests were strengthened.

2.2 After Independence, the need to correct this injustice was naturally a priority exercise. Discriminatory restrictions were lifted such as those barring the rural population from undertaking certain economic activities. The progress in the field of cooperative was, therefore, phenomenal after Independence, their number, membership increasing very rapidly. In Kenya whilst it took over 30 years to initiate some 600 cooperative societies upto the time of Independence, ten years later the number had reached the 2000 mark.

2.3 As the economies of these countries are predominantly agricultural, the structure of the Cooperative Movement and the government machinery set up to regulate it have some common features, the majority of the cooperatives in almost all countries of the region being in the field of agricultural credit, at least to start with. With the growth of the Cooperative Movement

after Independence, there has been diversification into several fields with the formation of cooperatives in marketing etc. and special cooperatives dealing with all aspects of industry e.g. sugar or dairy cooperatives in India. Japan, Republic of Korea and Taiwan, have, however, been exceptions where the allied activities of supplies, grading, packing and marketings are also undertaken by cooperatives. A brief history of the growth of cooperatives in some of the developing countries in the Afro-Asian region is given below.

India

2.4 In India though the cooperative credit societies were introduced through the enactment of the Cooperative Legislation in 1904, subsequent Cooperative Societies Act of 1912 allowed formation of non-credit cooperatives and also federal cooperative organisations. Cooperative societies became the State subject from 1919 and consequently Bombay State, presently known as Maharashtra, was the first State in the Indian Union to enact its own legislation in 1925. During the period of Second World War, there was a spurt in the registration of consumer cooperatives, dairy cooperatives, canegrowers' cooperatives, etc. On the recommendations of the Cooperative Planning Committee 1945, there was a reorganisation of the primary agricultural credit societies into multi-purpose societies to serve as centre for the economic development of its members. The cooperatives emerged as a distinct centre in the national economy after Independence in 1947. On the recommendations of the Rural Credit Survey Committee in 1954 the National Cooperative Development and Warehousing Board (presently known as National Cooperative Development Corporation) was established. The Committee appointed by the Reserve Bank of India in 1954 to study the problem of rural finance observed that during its existence of half a century, the Cooperative Movement had only been able to provide institutional credit equivalent to less than 3 per cent of the requirements and the prospects of any substantial improvement in its then existing set-up were remote. This led to policy decision that the state should enter into partnership with the Cooperative Movement by providing the bulk of financial, manpower and technical resources. The Movement thereafter has gained added strength over the years, the share of State governments in the paid-up capital as on 31.3.85 being Rs. 2447

million out of a total of Rs. 3936 million i.e. 62%. The financial impact of this change has been diversification of Cooperative Movement into several fields and its massive growth in terms of achievements. The great strides made in India in the Cooperative Movement can be judged from the fact that by June 1987 there were about 315000 cooperative societies with 150 million members with a working capital of about Rs 450 billion (1 US \$ = Rs. 13 approx.) as against 180,000 cooperative societies with 13.7 million members and a working capital of only Rs. 2.76 billion in 1950-51. Almost two-thirds of these cooperatives are in the rural sector. The government's emphasis on institutionalisation and distribution of inputs to the farmers and marketing their agricultural produce through cooperatives has helped a great deal in strengthening the cooperative sector in rural areas. Agricultural credit disbursed by cooperatives in 1987-88 was about Rs. 35 billion as against Rs. 220 million in 1951 and agricultural produce marketed was worth over Rs. 40 billion as against Rs. 18 billion in 1979-80. Three million tonnes of fertilisers, which is over one-third of the total fertiliser distributed in the country during the year were distributed by the cooperatives. Cooperatives have been designated as nodal agency in price support operations of oilseeds, pulses, coarse grains and market intervention activities for potato, onion and copra.

2.5 The Government set up the National Cooperative Development Corporation (NCDC) in 1963 for promoting and developing cooperative programmes for various economic activities in the rural areas. NCDC is responsible for country-wide planning and promoting programmes through cooperatives for marketing, processing, storage and supply of agricultural inputs to the farmers. The Corporation has set up regional and project offices and provides consultancy and technical services. NCDC also provides financial assistance to state governments in the form of loans and subsidies for financing cooperative programmes. During 1986-87, the Corporation provided assistance to the tune of Rs.1.5 billion bringing the gross total since its inception to about Rs.11.1 billion.

2.6 The National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) acts as a nodal marketing agency in the cooperative sector at the national level. Besides outright purchases, imparting effective market support to growers, NAFED undertakes joint ventures with some of the state federations.

2.7 The National Cooperative Union of India (NCUI), the spokesman of the Cooperative Movement in the country is charged primarily with the responsibility for the programmes of cooperative training and education.

Malaysia

2.8 The Cooperative Movement in Malaysia started in 1922 as an activity to overcome credit problems faced by the poor peasants and workers which subsequently developed into an important instrument for improving the socio-economic status of the rural poor. The law governing cooperatives was first enacted in 1920s which was made more comprehensive by the Cooperative Societies Ordinance of 1948. The basic law vests the authority of the cooperatives with the registrar and an amendment of 1966 gave him the power to attend all meetings of societies. The amendment also provided for a contribution to any educational institution or cooperative organisation for the furtherance of cooperative principles. As of 1986, 840 agro-based cooperatives are administered by farmers associations' board, 64 fishing cooperatives by Malaysian Fishing Development Board and Cooperative Development Department is responsible for the other 2000 cooperatives with a total membership of about 2.5 million and a paid up capital of about US\$ 400. million. The cooperatives marketed products of about U.S.\$ 7 million in 1982 and the agricultural inputs handled by them amounted to about US\$ 5, million.

Philippines

2.9 In Philippines the first cooperative law, the Rural Credit Law, which paved for rural credit cooperatives was enacted in 1915. The Cooperative Marketing law was enacted in 1927 for the formation of farmers' cooperatives. The Commonwealth Act enacted in 1940 provided for the organisation of various types of cooperatives. The cooperative administration office was established in 1950 for implementing these cooperative laws. In 1952 agricultural credit cooperative financing association was established through the public Act in order to provide agricultural credit and cooperative financing for small farmers on liberal terms.

2.10 The new cooperative development programme was initiated

by the government in 1973 for establishing the Cooperative Movement and providing the needed support to the agrarian reform programme. For strengthening the Cooperative Movement, the policy of the state is to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low income sector of the population in order to attain a more equitable distribution of income and wealth and for that cooperatives have been defined as organisations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronise. Bureau of Cooperative Development has been charged with the responsibility for promoting, supervising and developing the cooperatives as one government agency.

2.11 The land reform programme was initiated in October 1972, by emancipating tenant farmers from the landlords, with a provision that they would be members of the cooperatives and pay for land transferred to them in 50 annual instalments. The cooperatives would lend them the needed institutional support and meet their credit needs, supply them with farm inputs and undertake efficient marketing of their produce. They are also expected to channel technical information and agricultural know-how to the members. In 1985, there were over 20,000 cooperative societies with a membership of over 700 thousand and a paid-up capital of over US\$ 2 million.

Ethiopia

2.12 In Ethiopia, the ideas of organising the cooperatives was taken up in 1960s. The peasant association of Ethiopia is the core rural grass-root institution which is the basis of production cooperatives. the area of operation of a peasant association is 800 hectares and members joining the peasant association have to agree to combine their means of production into a collective ownership, to set up such a society. It can acquire legal entity if it has at least 30 peasant households as members. A group of peasant associations can form themselves into an Agricultural Service Cooperative, the objectives and duties of which include supply of improved agricultural implements and machinery, marketing the produce of its members and supply of consumer goods to them according to their needs. As of 1986, there were over 20,000 peasant associations in the country, their main functions being to encourage rural development and pave the

way for promotion of cooperative societies for rural development and socialistic transformation. There were over 4000 agricultural service cooperatives embracing about 17800 peasant associations i.e. about 90 per cent of the peasant associations.

2.13 Agricultural producers cooperatives, formed on the basis of the directive issued by the government in 1979, are of three categories viz. primary, secondary and advanced, depending on the level of integration of the means of production. The producer cooperatives work out annual production plans, indicating the total income, expenditure and schedule of work for submission to the Supreme Planning Council through the Ministry of Agriculture where they are analysed and approved. As of 1986 there were 2323 producers cooperatives organised on more than half a million hectares of arable land with about 200,000 members.

Ghana

2.14 The Cooperative Movement in Ghana is one of the oldest, having started in 1928 primarily as an instrument for improving the quality of the cocoa. A Department of Cooperation was set up as early as 1944 but its activities halted in 1953 when the United Ghana Farmers Council (UGFC) was formed as an important organ of the then ruling political party. It suffered considerable setback in 1960s and 1970s. In 1961 all cooperative bodies were abolished and the UGFC became United Ghana Farmers Cooperatives Council (UGFCC) absorbing 18 unions. It took up the task of organising farmers into cooperatives but it disappeared as soon as government then in power was overthrown. In the 1970s, the traditional practice of grouping for mutual assistance was formally recognised. Members of these groups have the advantage of exchanging the productive facilities among themselves, gaining access to credit and procuring mechanisation and other services. In 1982, the National Agricultural Cooperatives Ltd., was organised and in 1984 the Ghana Federation of Agricultural Cooperatives, which became the apex body in the Cooperative Movement, was established. This apex body is responsible for development, registration and supervision of the cooperatives and education of their members and officers and serves as a link between the government and Movement. The share of the cooperatives in the economy is very small and the level of people's participation is very low. The cooperatives at one time managed massive technological innovations in the form of

tractor mechanisation, use of improved seeds and chemicals etc., but these were inappropriately and poorly maintained and as such production cooperatives have yet to perform well enough to improve income and standard of living of their members.

Sudan

2.15 In Sudan the production cooperatives were started in 1930s at the initiative of small farmers to have large pump irrigation schemes by pooling resources. Mechanised cooperative farms were formed during 1940s. Power cooperative societies were established in 1950s and in 1960s farmer cooperatives bought and operated combine harvesters. Formation of cooperative poultry farms were witnessed in 1970s with the introduction of more economical techniques of production.

2.16 There have to be 50 members to form a primary cooperative society which is registered as a legal entity. These societies covering production and other economic activities form the cooperative unions at various levels, including national and these are recognised as one of the core sectors of the economy. During the period 1971 to 1980, there has been a phenomenal increase in the number of cooperative societies to the extent of 210 per cent. During the same period, the total membership of cooperative societies increased more than 4 times and the annual turnover of the total business by more than 10 times. High rates of interest which small farmers cannot afford, temporary ownership of land, areas being sparsely populated and lack of awareness of the value of cooperative system among people, particularly nomadic people are some of the important factors impeding further growth, but are now receiving the attention of the government. The attitude of the various successive governments to Cooperative Movement has been positive but there has been a set-back as the Ministry of Cooperation and Rural Development, set up in 1969, was reduced to mere administrative unit after a lapse of ten years.

3. GOVERNMENT ATTITUDE TOWARDS COOPERATIVES

3.1 Government attitudes towards cooperatives vary widely from country to country and from time to time within a country. A State may also at one and the same time have different attitudes towards different types of cooperative institutions. Whether the

State's attitudes be neutral or one of encouragement, relations between cooperatives and the State are determined on the one hand by the party or parties in power, and by the strength of the Cooperative Movement on the other.

3.2 The power of the Movement depends on the performance and its ability to adjust to changing conditions. For a Movement with a stake in a long-term future, adherence to democratic principle and at the same time avoidance of political interference poses a delicate problem. This problem has existed ever since the beginning of the Cooperative Movement and has been tackled in various ways in different countries. In practice the attitude of the Cooperative Movement to the State and vice versa has undergone substantial evolution. The relationship also varies according to the political system, and depends on the degree of sympathy that it can attract from the general public. Whereas in all the democratic countries, Cooperation has received legal recognition in the form of legislation based essentially on the Rochdale Principles, which define and protect the formation and operation of cooperatives, in countries where democracy has been suppressed, cooperative institutions are likely to have suffered the same fate.

3.3 The relationship between the State and cooperatives is assuming greater importance because of emergence of varied nature and types of associations that have developed due to governments keenness to bring about rapid economic development. Mutual relations also depend on the extent to which the Cooperative Movement participates towards the solution of social and economic problems in a country. If the Cooperative Movement wants to play an important role in the economic development of a country, it needs assistance from the State irrespective of the social and political system in vogue. In the developing world, particularly in those countries which have attained Independence during the last three or four decades, the governments have taken deliberate steps to promote cooperatives by injecting massive doses of financial, technical and managerial resources. However, such external influences on Cooperative Movements which have been built up traditionally on principles of democracy and self-help have produced results which are not always consistent with the basic ideologies of the Cooperative Movement.

3.4 The governments of the developing countries in the Afro-Asian

region in general are committed to the basic principles of voluntary, participatory and self-managed Cooperation. Therefore, the cooperatives in these countries occupy a central place in the development programmes of all governments which seek to modernise rural societies and economies. Though the governments of these countries are conscious of the important role which the production cooperatives can play in the attainment of equitable development and food security, their contribution in respect of support given to rural cooperatives has not been commensurate with their vast membership and large human resource base.

3.5 The support to the Cooperative Movement in addition to the financial assistance could be in the form of assistance in management, consultative services, cooperative education, training and research. For assistance in management, government should depute only well experienced officials who have got adequate training in cooperative business management as also can provide adequate expert advice to the cooperatives for planning the programmes. Apart from advice in respect of administrative and procedural matters, the government should also provide technical advice particularly when cooperatives expand in diverse fields and their working becomes complex. To achieve the objective, close coordination between the cooperative societies and cooperative departments on the one hand and the technical departments of the government on the other, needs to be ensured. To give a fillip to the financial resources of the cooperatives, the cooperative societies need to be reorganised as suitable agencies for public distribution system, as contractor for government works in rural areas and as a source for government purchases. Government should also concentrate on the development of necessary management personnel and the education of members of cooperatives by making adequate arrangements for training of cooperative personnel and should sympathetically consider requests for financial assistance for holding workshops, conferences and for research work.

3.6 It is also necessary that the governments give all possible help to accelerate the growth of truly economic and self-reliant cooperatives, promote the concept of Cooperation as an instrument whose basic functions are to create income and employment generating activities, to mobilise and divert human and material resources into productive enterprises, to increase productivity by

utilising resources more efficiently and to obtain tangible benefits for their members in a manner that fulfils the national interests, satisfies cooperative objectives and ensures a fair and equitable sharing of wealth. Government should formulate clear and well-defined long-term policies relating to cooperatives with a firm commitment to their sustained growth and autonomy, lend increased support to rural cooperatives, particularly in the form of member's training, extension work, data compilation and processing, etc. Government should also have a continuous dialogue with the promoters of Cooperative Movement and involve its representatives in all matters that affect its welfare, especially in the formulation of cooperative policies, drafting of legislation, designing of food strategies and pricing of agricultural products.

3.7 With growing awareness of the importance of grass-root organisations in achieving integrated rural development, it is necessary also that the Cooperative Movements in the Afro-Asian region reaffirm their commitment to growth in equity and ensure that they combine the functions of production, processing and marketing into fully integrated units of optimum size and efficiency. They should adhere to the co-operative principles of self-reliance, voluntary membership and participatory management and work towards their early economic independence to achieve the objectives of cooperatives.

3.8 Notwithstanding the support given by the various United Nations Agencies and other donors during the deepening food crisis, especially in the African countries, Cooperation is still one of the areas neglected by international aid agencies. The international aid agencies should come in a big way to give aid to the help of cooperative societies to give the movement a fillip. The governments concerned should act as liaison between the cooperatives and the donor agencies to achieve the objective.

3.9 The Constitution of most of the developing countries provides for development of cooperatives. In these countries the development of cooperatives has also been integrated with their overall economic plans. A brief review of the place the cooperatives have in the Constitution and in the development plans in the case of India and Philippines is given below.

India

3.9.1 Cooperatives have been accepted as the principal institutional framework for the development of rural areas and weaker sections of the community. The cooperative development programmes for rural India are conceived as an integral part of the national efforts to accelerate the growth of agricultural production, increase employment opportunities, and more importantly, raise productivity, and to alleviate rural poverty.

3.9.2 One of the Directive Principles of the Constitution of India is that "the State shall endeavour to promote cottage industries on individual or cooperative basis in rural areas." In the matter of licensing of new capacity in the sugar industry and oil milling industry, preference is given to cooperatives. Similarly, in the matter of allocation of imported fertilisers for distribution to the farmers, preference is given to cooperatives. This policy support has helped in the expansion of cooperative economic activities in the rural areas.

3.9.3 Government's policy towards cooperatives is reflected in the Plan documents. The First Five-Year Plan (1951-56) document observed,

"If Planning is to avoid excessive centralisation and bureaucratic control and is, at the same time, to hold in check self-centred acquisitive instinct of the individual producer or trader working for himself, the encouragement of cooperative enterprise must be given the highest priority."

Government's policy on cooperatives was clearly enunciated in the Fourth Plan (1969-1974) document which observed,"

economic responsibilities.... Growth with stability being the development.... It will be part of the policy during the Fourth Plan to ensure that the opportunities before cooperatives are as large and varied as they can utilise effectively.... Governments for its part will endeavour to assist the cooperatives to equip themselves for the task in important aspects such as finance, organisation and trained personnel".

"Cooperation as an instrument of economic development of the disadvantaged, particularly in the rural areas, have

..... Governments for its part will endeavour to assist the cooperatives to equip themselves for the task in important aspects such as finance, organisation and trained personnel”.

“Cooperation as an instrument of economic development of the disadvantaged, particularly in the rural areas, have received considerable emphasis during the successive plans.... Large public funds are committed to supporting the Cooperative Movement in its various activities, particularly in the rural sector.” The expenditure during the Sixth Plan on Cooperation is expected to be of the order of Rs.15 billion as against an expenditure of Rs. 50 million during the First Five-Year Plan. This indicates the growth and Government’s support over time to the cooperatives in the country.

The Second Five-Year Plan (1951-56) emphasised that

“Economic Development along democratic lines offers a vast field for the application of cooperation in its varying forms... The character of economic development in India, with its emphasis on social change, therefore, provides a great deal of scope for the organisation of cooperative activity. The building up of a cooperative sector, as a part of the scheme of planned development, is thus one of the central aims of national policy”.

3.9.4 The Second Plan included a country-wide programme of cooperative development based on an integrated system of agricultural credit, marketing, processing, storage and allied activities, which became the core programme of all cooperative activities in the subsequent plans.

3.9.5 The role of cooperatives in planned development was described in the Third Plan (1961-1966) in the following terms:-

“In a planned economy, pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industries and processing, marketing, distribution, supplies.... The influence of cooperation extends far beyond the particular activities organised on cooperative lines and gives to the social structure and the national economy, balance, direction and a sense of values”.

3.9.6 In the 7th Plan Document, it has been brought out,

“Systematic efforts are needed to accelerate the progress of the Cooperative Movement. The development of farmers’ cooperatives for processing and marketing of edible oils and other agricultural products can contribute significantly to the accrual of distributive margins to the farmers, thereby providing incentives for greater investment in their production.”

Philippines

3.10 In Philippines, 1986 Constitution has recognised cooperatives as a media for achieving goals of national economy, viz. more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the under-privileged. There is a provision in the Constitution for the creation of an agency to promote the viability and growth of cooperatives as the instruments for social justice and economic development. The Constitution recognises the right of cooperatives to own, establish, and operate economic enterprises and own and manage mass media. Cooperatively owned educational institutions are entitled for exemption from taxes and duties.

3.11 The new government in December 1986 adopted the Medium-Term Philippines Development Plan (MTPDP) 1987-92. The National Economic and Development Authority has been vested with the responsibility to coordinate and monitor the implementation of the plan by various government agencies with the participation of local government and non-government organisations for alleviation of poverty; generation of more productive employment; promotion of equity and social justice; and attainment of sustainable economic growth. According to MTPDP, “the private sector shall not only serve as the initiator but also as the prime mover of development.” The private sector and non-government organisations are expected to contribute to the formation and implementation of plans, policies and programmes in support of the development goals. Greater involvement of the people is to be promoted in programme/project identification in decision-making process and in initiating community-based

activities. They are also expected to play a key role in enhancing the relationship between the government and the people by encouraging the masses to take part in the development plans and by directing support to the most needy. MTPDP has also stated that, "one of the critically important institutional reforms is the strengthening of farmers' organisations, particularly farmers' institutions such as cooperatives.

3.12 The above policy framework opens up a tremendous scope for rural cooperatives whose aim is to improve the economic conditions of rural population through appropriate policies and measures. Apart from the above, it is necessary that the governments of various countries provide the necessary framework for the cooperatives through legislations to give a fillip to the role of the cooperatives. A review of the cooperative legislations over the years is presented in the following Section.

4. COOPERATIVE LEGISLATIONS

4.1 The first Cooperative Law in the world was the Industrial and Provident Societies Act of 1852 passed by the British Parliament, providing for the registration and regulation of cooperative societies. In the hundred years that followed, over 5000 different laws, orders and decrees relating to Cooperative Movement were created in different countries of the world. The first Law was enacted to meet the needs of cooperative societies that were already in existence. Therefore, special legislation had to be brought into force to meet the practical situations of the new problems whenever they came.

4.2 ILO General Conference of 1966 recommended that there should be legislation specially concerned with the establishment and functioning of cooperatives and with the protection of their right to cooperate on not less than equal terms with other forms of enterprises; that the legislation should include certain provisions, including procedure for establishment and legislation, together with the bye-laws, and for dissolution; and that it should also include conditions of membership, methods of administration, protection of the name 'cooperative' and machinery for the external audit and guidance of cooperatives and for the enforcement of legislation.

4.3 To make the cooperative law useful and effective, the most

obvious important requisite is that the legislation should fulfil the objectives of the cooperatives in line with overall national policy of economic development; provide guidelines to be followed for the recruitment of a workforce etc. While formulating the cooperative laws, it has to be ensured that in their relations with the state government, the cooperatives in developing countries preserve a distinct identity along the lines of the internationally accepted cooperative principles. Any external intervention, while taking into account specific local conditions, should not go to the extent of suppressing cooperative principles and cooperative identity.

4.4 To assess the merits of cooperative law it is necessary to consider the extent to which there is state control over the cooperatives in the nature of the relationship that should exist between the governments and Cooperative Movement as also the relationship between public and cooperative enterprises.

4.5 The government's role by way of legislation should be to act as a catalyst, coordinator and watchdog to help the cooperatives achieve the goals the members have set for themselves. It should help in bringing together neglected and poor people of the rural areas together to become genuine forces in the nation's economic development.

4.6 The cooperative law is necessary and should lay down the fundamental conditions which must be observed by cooperatives if they are to remain true to their character; it should be simple and confer special privileges and facilities to encourage the formation of the cooperatives and assist in their operations. It should prevent speculators and capitalists from availing themselves of the privileges not intended for them and enable the cooperative societies to function freely.

4.7 In case of the developing countries the tendencies of cooperative legislation has been to vest more and more power in the state to control cooperative activities. This indicates the change in the attitude of the governments as regards their role in cooperative development as well as the way the cooperatives are deteriorating. In spite of the massive figures for increase in the number of cooperatives where cooperative laws have vested more and more authority in the state, it could be inferred that the Movement is losing its autonomy as well as integrity.

The need for amendment to the legislation should normally arise to cover the practical situation of progress, i.e. when cooperatives of special types or at higher degrees of federations have become necessary and the existing legislation does not cover the new situation.

4.8. Excepting the Far East, the British system of cooperative legislation is the basic one in all South Asian countries. The legislation in various countries will, however, depend on a number of factors viz. the policy and federal structure of the government; the stage of Cooperative Movement; the types of cooperatives etc. But what is necessary is that there should be a model legislation on cooperatives which could be suitably modified by the developing countries to suit their own requirements. The special features of cooperative law for India, which is one of the most comprehensive ones in the region are out-lined below.

The Cooperative Legislation in India

4.8.1 The legal framework of cooperatives consists of three phases: (i) The Cooperative Societies Act passed by the legislation; (ii) The Rules framed under the Cooperative Societies Act by the government and notified in the Gazette; and (iii) The bye-laws adopted by the society and registered by the Registrar of Cooperative Societies. While introducing the Bill on 23rd October 1903, Sir Denzil Ibbeston observed that the Companies Act was wholly unsuited to cooperative societies and "the first thing to be done, therefore, was to take such societies out of operations of the general law on the subject and to substitute provisions specially adapted to their constitution and objective. In the second place, it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operations and, thirdly, since they were to enjoy exemption from the general law and facilities of a very special nature, it was very necessary to take such precautions as might be needed to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them". He added: "Certain broad principles must be laid down, and certain precautions must be insisted upon; but within those principles and subject to those precautions, the people must in the main be left to work out their own, the function of government being confined to hearty sympathy, assistance and advice".

4.8.2 The 1904 Act was restrictive in its scope as it permitted registration of primary credit societies only and left non-credit societies and also federal societies out of its purview. These shortcomings were removed by the Cooperative Societies Act, 1912, which served as a model for many Acts later. The 1912 Act dealt with cooperative societies for the whole of India.

4.8.3 The structure of Cooperative Societies Act broadly includes:

- (i) Registrar and registration of societies;
- (ii) member and their rights and liabilities;
- (iii) management of cooperatives;
- (iv) privileges of cooperative societies;
- (v) properties and funds of cooperatives;
- (vi) audit, enquiry, inspection and surcharge;
- (vii) settlement of disputes;
- (viii) winding up and cancellation of cooperative societies;
- (ix) execution of awards, bye-laws and revision; and
- (x) miscellaneous.

4.8.4 While the Cooperative Societies Act provides the broad legal framework for incorporation, regulation and winding up of cooperative societies, matters in respect of which certain degree of elasticity is necessary and matters which are largely of procedural nature are relegated to the Rules framed under the Act. The Rules generally contain matters relating to forms for application for registration, fixation of maximum borrowing power of a society, matters which could be governed by the bye-laws, procedure for settlement of disputes, execution of awards, etc.

4.8.5 National Cooperative Development Corporation Act, 1962 elucidates that the purpose of Cooperation is to plan and promote certain programmes on cooperative principles. As cooperative societies is the state subject under the Indian Constitution, financial assistance to cooperatives registered under the Cooperative Societies Act is provided through or on the guarantee of the concerned state governments. The finances provided by NCDC are meant for cooperative institutions and not for the individual members of the cooperatives. These are meant for creation of common facilities (infrastructure) for processing, storage and marketing of agricultural produce, foodstuffs, notified commodities and minor forest produce as also for distribution of agricultural inputs. While financing the various cooperative

activities, NCDC takes into account in addition to other considerations, the bye-laws of the cooperatives.

4.8.6 The bye-laws of a society should not be inconsistent with the provisions of the concerned Cooperative Societies' Acts and rules and should be such as to facilitate the operations of the society to achieve its objectives. The following aspects need to be taken care of by the bye-laws:

- (a) The bye-laws of the society should include the activity for which assistance is sought from NCDC (The activity for which assistance is sought be covered by the NCDC Act).
- (b) The membership bye-laws should be examined closely to ensure that the ultimate beneficiaries will be the producers.
- (c) The assistance sought should be within the maximum borrowing limit of the society.
- (d) The bye-laws should clearly lay down the terms for the constitution of the Board of Directors of the society.
- (e) The powers of the Board and the Managing Director should be clearly spelt out in the bye-laws.
- (f) There should be provision in bye-laws for giving rebate to members in proportion to the extent to which they make use of services of the society.

5. EVALUATION OF PERFORMANCE OF COOPERATIVES

5.1 Whereas the foregoing analysis depicts significant growth of cooperatives, especially of agricultural credit cooperatives in terms of numbers, working capital, as also its various activities viz. distribution of improved seeds, fertilisers, making available the irrigation facilities on cooperative basis, taking the responsibility of public distribution system as also being a nodal agency for government purchases etc., in the developing countries, it is not possible to analyse the qualitative performance of the Cooperative Movement in the absence of requisite data regarding its effect on the economy of the country and the living condition of the members. Though it may be of interest to know the development of Cooperative Movement in a country in general, it is at least equally, if not more important to know the impact

of these activities of the cooperatives on economic development of the country and standard of living of its members. For the Cooperative Movement to be a success, it is essential to know the contribution of the cooperative sector to the growth of the economy as a whole, especially that of agriculture and rural sectors. It may also be desirable to know as to how far cooperatives have helped in increasing the per unit area output of crops by propagating the improved techniques of production as also optimal use of various inputs which might have resulted in improving standards of living of their members and as a consequence how their economic status compares vis-a-vis the non-members. It has, unfortunately, not been possible to carry out any such analysis as the data base for the same is quite weak. It is, therefore, desirable that adequate provision is made in the Constitution of the cooperatives that they should attempt to have a strong data base to enable taking up analytical studies to assess their performance and to examine as to how far it has been possible for the cooperatives to add to the growth of the economy and improve the standard of living of their members. For that, it is necessary to have comparable estimates of the use of various inputs in different crops and their response in terms of additional production. As the figures for the total economy of the country are available in most of the cases, it should be possible to assess the performance of cooperative sector vis-a-vis non-cooperative sector, if such information becomes available for cooperative sector. This may necessitate the bench mark surveys for estimating the crop production, yield rates of various crops as also the cost of cultivation and the consumption pattern of the members of the cooperatives. The data thus collected could be made use of for cost-benefit analysis of the performance of the cooperatives. The consumption expenditure surveys being conducted in the developing countries, if any, may be suitably modified so as to reflect relative improvement in the economic status of the individuals who are members of the cooperatives as compared to non-members. This would necessitate developing a national system for collecting, processing and presenting annual data in respect of output, inputs, consumption expenditure, etc. for the area of operation of the cooperatives along with that for the country as a whole so that a comparative performance of cooperative sector could emerge. This may entail initiating training programmes both for educating the members of cooperatives as also the functionaries to assess the qualitative performance of the cooperatives.

6. EDUCATION AND TRAINING

6.1 Training of personnel is an important component for the development of cooperative societies to enable them to shoulder the responsibilities entrusted to them. One of the main problems of the cooperative development and the growth of the Cooperative Movement is the non-availability of suitable cooperative personnel, who can manage the human, material, financial and other resources of the cooperative enterprises. The All India Rural Credit Survey Committee in its report stated that, "One of the very serious weaknesses of the Cooperative Movement was that the staff was inadequate, unqualified and poorly paid". Due to the poor compensation in the cooperatives as also uncongenial working environment in a majority of the cooperative organisations, it is not possible to attract bright talented personnel as they are attracted towards the governments and the private and public sector. Moreover, in most of the cooperatives, there is a dearth of permanent staff, particularly at the top which is mostly filled by personnel on deputation from the cooperative departments. Frequent turnover of the deputation personnel also contribute to the instability in policy making and planning and decision-making. Unless there is a proper cadre building within the Cooperative Movement, it will not be possible to have suitable personnel to man various facets of Cooperative Movement. It is, therefore, necessary that arrangements are made for the training of the cooperative personnel and to build up a regular cadre of personnel specialised in cooperative development. It is equally important to train the cooperative leaders so that they understand the importance of the cooperatives and are in a position to persuade the non-members to join cooperatives and guide them. The policies in the area of employment and selection, development of personnel, transfer, compensation, communication, employee-employer relations, discipline, grievances etc. have to be carefully thought of if the Cooperative Movement has to compete with other sectors of the economy. Manpower planning, career development plans and motivational systems have to be paid particular attention in this regard. It is not possible for every cooperative society to train its own workers; but they should at least assess the present and future manpower needs of the organisation and try to select the right type of persons and put the right man in the right place and identify individual needs of training and development. The cooperative federations and the apex bodies can play crucial part to help the cooperatives for manpower

planning and arrange to meet the training needs of the various cooperatives. There is also a need for close collaboration between the national institutes and the cooperatives and with continuous dialogue, the institutes will understand the needs of the cooperative organisations to design their educational and training programmes. The cooperatives should liberally sponsor their staff to the various courses conducted by the specialised institutes. They should bring to notice of the institutes their requirements regarding the up-to-date courses and their other needs so that the institutes could devise short-term training programmes to cater to their demands. It is necessary that research studies are also conducted at the institutes, the results of which will be effective for a smooth conduct of the business of the cooperatives and for that cooperatives should collaborate with the institutes and supply them the necessary data as and when required.

7. CONCLUSION

7.1 Some of the important observations emerging from the review of the development of cooperatives presented in the preceding sections are as under.

7.2 To facilitate the formulation of development programmes that would reflect the aspirations of the people, the cooperatives can play a significant role. The size of agricultural land holdings in the developing countries being generally small, efficiency of the rural economy can better be ensured by cooperative management. This would require the cooperatives to be broad-based, their membership covering a majority of the rural population and encompassing such functions as are associated with their development and help them in the mobilisation of resources. They could help in increasing the productivity by way of supply of improved inputs and credit. They could also enhance the returns to the members by making arrangements for marketing and storage by eliminating the chain of middlemen.

7.3 Increase in productivity depends upon the types of changes, viz. technical and institutional. As regards the technical change, application of chemical fertilisers and pesticides, provision of high-yielding seeds for existing and new crops, use of improved tools and provision of improved storage facilities, better facilities for control and distribution of water are needed. As for the

institutional change, provision of credit and cooperative marketing appear to be the most important criteria. The credit may be seasonal to meet consumption expenditure during the period between planning and harvesting, short-term credit to provide expenses to cover wages and other running costs viz. purchase of seeds, fertilisers, pesticides etc., medium-term credit for purchase of improved tools and long-term credit for purchase of land by tenants or to consolidate fragmented farms. To get remunerative prices to the producers, one of the primary aims of these cooperatives is to help the members for marketing their produce. Marketing includes a number of services, in addition to purchase of produce from the farmers and its sales to the consumers viz. processing of the produce, grading, preserving, packing, storage and transport to the city markets. Cooperative marketing schemes should be able to provide all these services on an adequate scale.

7.4 For the agricultural cooperatives to be successful, increasing productivity, development of infrastructure and land-reforms are indispensable. The development of infrastructure viz. provision of irrigation facilities, roads, transport, communication, warehousing marketing structure and technological research are essential for development of the cooperatives. Consolidation of holdings, if not already done, is yet another necessary pre-requisite for the cooperative system to succeed.

7.5 It is desirable that new policies are formulated only in consultation with cooperatives. In addition, an adequate framework of cooperative institutions that are well integrated with the Movement should be established to cater to multiple administrative and financial needs.

7.6 Further, collaboration between the state and the Cooperative Movement is essential for development of cooperatives. The state should develop bias in favour of cooperatives, and look after their interests and recognise such societies as perform well and provide them with greater autonomy.

7.7 The government's role by way of legislation should be to act as a catalyst, coordinator and watching to help the cooperatives achieve the goals, the members have set for themselves. To make the cooperative law useful and effective, the most important requisite is to draw up comprehensive legislation in line with

overall national policy guidelines. In their relations with the state government, the cooperatives in developing countries should preserve a distinct identity along the lines of the internationally accepted cooperative principles. Any external intervention, while taking into account specific local conditions, should not go to the extent of suppressing cooperative principles and cooperative identity.

7.8 Finally to assess the contribution of cooperatives in economic growth development, it is necessary to evaluate their performance not only in terms of number, membership, paid-up capital and loans advanced, but also their relative share in increasing gross domestic product as also improving economic status of their members vis-a-vis non-member over time. To achieve, this, it is essential to create a strong data base and initiate training programmes to educate the members of the cooperatives as also the functionaries to shoulder these added responsibilities.

ROLE OF GOVERNMENT IN PROMOTING COOPERATIVE MOVEMENT IN ASIA

J.M. RANA*

I : CONCEPT OF COOPERATION

INTRODUCTION

First of all, I would like to express my sincere thanks to the United Nations Vienna International Centre for asking me to prepare a paper on the important subject of the "Role of Government in Promoting Cooperative Movement in Asia". I am happy at the opportunity of interacting with participants of the seminar who are occupying leading positions in the Governments and the Cooperative Movements of developing countries of various regions of the world. Secondly I would like to state that the subject of government's role vis-a-vis the Cooperative Movement is a complex one and there are no straightforward answers to many of the difficult and ticklish questions that come up (a) in formulating and defining government's proper role, and (b) much more in implementing it after such a role has been defined. The subject is full of misconceptions and bristles with a great deal of controversy or rather controversies.

SCOPE AND LIMITATIONS

It is essential to define the concept of Cooperation and to have clarity and agreement regarding the basic ideology and principles.

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of cooperative organisations. This is necessary as it is "cooperatives" which governments are trying to promote and it is through the "Cooperative organisations" that governments seek to achieve certain goals of national development. The first section of this paper will, therefore, deal with the concept of cooperation. A historical perspective of Cooperative Movement will also be given in order to understand the true nature and evolution of the Cooperative Movement. Such historical background is necessary because the present and the future are conditioned to a considerable extent by past history. In the second section, we will deal with the contribution that the cooperatives can make to national development, a matter of great concern to governments in developing countries. In the third section, we will deal with the specific forms and methods through which governments can play an effective role in promoting and developing cooperative movements. *Cooperative policy, cooperative legislation, institutional framework and assistance programmes* will be some of the topics considered in this regard. We will also deal with the role which the cooperatives and their own federal bodies can play in promoting and building a sound and dynamic Cooperative Movement.

LIMITATIONS

First, the subject with which we are dealing with is large and complex and it is not possible to deal with it fully in the short space of this paper. An attempt will be made to touch upon only some of the most important aspects. Secondly, the Asian Region with which this paper deals is a wide region. Political, social and economic conditions vary a great deal as between various countries in the region. The stage and status of cooperative development also varies significantly from one country to another. Hence, while an attempt would be made to present some general observations and remarks, there would be valid deviations. Thirdly, my remarks in the paper would be based upon my knowledge and experience of the countries which the ICA Regional Office for Asia serves. These countries are: Australia, Bangladesh, China, India, Indonesia, Japan, Republic of Korea, Democratic Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka and Thailand. Member organisations from China and Democratic Republic of Korea have recently joined the Alliance and I do not yet have much knowledge about the Cooperative Movements of these two countries .

NATURE OF THE COOPERATIVE MOVEMENT

I would like to offer a definition of a cooperative organisation as follows, based on my extensive study of cooperative literature:

A Cooperative is a voluntary and autonomous association of persons, or of societies, functioning in conformity with the Cooperative principles, for the economic and social betterment of its members by means of one or more common undertakings, based upon mutual aid, democratic management and non-profit operation.

The ILO General Conference, 1966, Recommendation 127 suggests the following definition of a cooperative as bringing out its essential characteristics.

“An association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate”.

The essential features of a cooperative society and the Cooperative Movement may be described as follows:

- i. A cooperative society is a form of business organisation which is established by the members on a basis of equality to promote their common economic and social interests.
- ii. The main motivating force behind a cooperative organisation is the spirit of self-help and mutual help.
- iii. The cooperative society is a non-profit organisation and it aims to provide goods and services to members at costs which are as low as are compatible with the long-term development of the society.
- iv. The management of a cooperative is carried out by a Board of Directors elected by the members who together in a general assembly exercise ultimate control over the operations of the society.

Cooperatives of individual members are called 'primary cooperatives'. These primary cooperatives join themselves into a federation which performs commonly required functions involving operations and resources which are needed on a scale larger than that of the primary societies. The federations may be established at an appropriate level, namely, country, district, provincial or national, depending upon the stage of the Cooperative Movement and the competitive environment. Thus the federal structure of the Cooperative Movement, while enabling the small primaries to function independently, achieves for the constituent primaries and their members, significant financial, managerial and technological advantages. Also, on account of integration of the Cooperative Movement, both horizontal and vertical, it is able to achieve significant competitive capacity for the small man, viz. the farmer, the fishermen and the consumer.

It may be pertinent at this stage to indicate the meaning of the term 'Cooperative Movement' used in the title of this paper. The concept of the Cooperative Movement implies a well-knit cooperative structure binding the individual members into primary societies which are then closely integrated into the secondary cooperatives at the district/regional levels and apex cooperative organisations at the national levels. The term 'International Cooperative Movement' implies an extension of this concept to an international level, manifesting itself into organisations, such as the International Cooperative Alliance. It may be pointed out that the word 'Movement' connotes belief in a shared ideology through which members aspire to achieve commonly accepted goals. The Principles of Cooperation, accepted by the members of the ICA spread in 74 countries of different parts of the world, represent this cooperative ideology, viz. the commonly shared goals, beliefs and values, and methods of work.

The main aims of the Cooperative Movement could be broadly categorised as follows:

- i. Promotion of economic interests of those sections of society who are individually unable to make significant economic progress;
- ii. Social and cultural advancement of the members and even of the community as a whole (Emphasis on educational, cultural activities, community programmes and development of cooperative press);

- iii. Strengthening the democratic and more rational forces in the community through the specific ways in which a cooperative society operates. (Emphasis on discussion and parliamentary procedures, developing capacities for taking initiative by members, etc.); and
- iv. Acting as a countervailing influence on the economic and social excesses operating in developing countries. (Reducing economic inequalities, building social cohesion amongst members, opposition to exploitation by money-lenders-cum-traders, etc.)

The origin of Cooperative Movement goes back to the small beginnings of the Rochdale Society in 1844 in U.K. and to the Rural Cooperative Societies pioneered around the same period by Friedrich Wilhelm Raiffeisen in Germany. Cooperative Movements all over the globe have been influenced by the thinking and achievements of these pioneers.

The cooperative way of doing business has taken many forms in Asia—from multipurpose societies to highly specialised coops. The main forms of cooperatives in the rural areas in South-East Asia include multipurpose cooperatives or specialised agricultural credit cooperatives. Since the last World War, agricultural marketing and processing activities are being increasingly developed on a cooperative basis. In urban areas, the main forms of cooperatives are the thrift and credit societies, consumer cooperative societies, cooperative housing societies, and in some cases cooperative insurance societies. Fishery cooperatives and industrial cooperatives for artisans have also been formed in many parts of the Region.

PRINCIPLES OF COOPERATION

The cooperative organisations and the Cooperative Movement can be best understood with reference to the Principles of Cooperation accepted by the International Cooperative Alliance (ICA) and its member organisations in 74 countries of the world.

Early in 19th century, the British Cooperative Movement published a set of principles which came to be known as "Rochdale Principles". These principles were examined by a committee of

the ICA from 1931 to 1934, and the ICA Congress in 1937 defined seven cooperative Principles. During the post-war period, a number of developments had taken place and the cooperative movements from the socialist countries and from the developing countries had joined the alliance in increasing numbers. The Alliance, therefore, appointed a Commission on Cooperative Principles to re-examine the Cooperative Principles in the context of the changing conditions and contemporary developments. The Commission comprised five members from the Movements of the industrialised West, socialist countries and the developing countries. After wide ranging consultations and study, the commission submitted its report to the ICA Congress in 1966 which unanimously accepted six principles. These principles of Cooperation are as follows:

1. Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decisions of the members as follows:

- (a) By provision for development of the business of the cooperative;
- (b) By provision of common services; and

- (c) By distribution among the members in proportion to their transactions with the society.

5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.

6. All cooperative organisations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.

As mentioned earlier, there are important differences among cooperatives in the (a) cooperatives in the industrialised west, (b) cooperatives in the socialist countries, and (c) cooperatives in the developing countries. However, there is a basic identity amongst them even though they operate in different political, social and cultural milieus. The common identity and concept of cooperation can only be understood with reference to the above six Cooperative Principles which are accepted by all Cooperative Movements affiliated to the ICA. Dr. A.F. Laidlaw in his report "Cooperatives in the Year 2000 AD" presented by him at the ICA Congress held in Moscow in 1980 sums up in a nutshell this concept as follows:

The overriding concept present in all cooperatives is this : "a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is at once socially desirable and beneficial to all taking part".

It is my submission that governments as well as other agencies, national and international, who seek to promote the Cooperative Movement should, first of all, accept the correct nature of the Cooperative Movement. This implies that the national cooperative development policy should be based on a recognition of the Cooperative Principles and the policy should clearly specify that the Cooperative Development envisaged will be based on cooperative principles and the voluntary and autonomous character of the Cooperative Movement. Secondly, cooperative law of the country should also incorporate the above concept and the essential characteristics of cooperatives. Thirdly, government cooperative development programmes should be based on enlisting peoples' participation, and the active collaboration of voluntary,

leaders as well as the non-governmental organisations at all stages viz. formulation, implementation, review, monitoring and evaluation. Fourthly, the administrative apparatus, Institutional mechanisms and assistance programmes devised should be such as would achieve the developmental goals outlined in the Cooperative Development Policy. Finally implementation, which is of utmost importance; a correctly formulated policy should be fully and effectively implemented.

HISTORICAL PERSPECTIVE OF GOVERNMENT ROLE

As mentioned earlier, the Cooperative Movement originated in the 19th century to counteract problems faced by the industrial workers, farmers and other persons of small means arising from industrial development on capitalist lines. The dominant economic and political philosophy of the time was laissez faire. The role of the State was maintenance of law and order, the protection of the people from external aggression and the performance of the minimum number of most essential functions. The State in those days believed in a free economy. However, as certain undesirable consequences of free market economy and unbridled capitalism came to the fore, the policy of "laissez faire" changed to that of a "welfare state". The State then considered it necessary to regulate market forces and take certain definitive steps in the interest of equity and social justice. As the concept of welfare state gained ground, the State began to undertake functions like educational and health, development of roads and railways, and even social security in modern times. The socialist philosophy and the emergence of the socialist states also influenced thinking of many a government, particularly in the developing countries, in broadening the functions of the State in regard to economic planning and national development. It was regarded as an important function of the State to make a significant contribution to economic development and to the improvement of the social and economic conditions of the population in the newly liberated countries.

In the developing countries of Asia, the Cooperative Movement was introduced by the government. In the early years of the 20th century, Cooperative Movement was introduced in Japan and in India. In Japan, the government accepted the policy of establishing and assisting agricultural cooperatives when the

country was at the threshold of capitalist development. At that stage, farmers were suffering from great hardships as the prices of agricultural products were kept lower in comparison to industrial products and as one-third of cultivated lands were in the hands of landlords and financiers. The government introduced cooperatives with a view to improve the conditions of the farmers against this background. In India, it was the British colonial government which first introduced cooperative credit societies through an enactment of special cooperative legislation in 1904. The subsequent Cooperative Societies Act of 1912 allowed formation of non-credit societies and secondary societies. Cooperative legislation and policy of sponsoring cooperative organisations was adopted by the government with a view to curbing usury and to ameliorating the conditions of small man through self-help and mutual help. A Cooperative Department with Registrar of Cooperative Societies as its Head was established to register, supervise and guide cooperative societies. Some financial assistance to a limited extent was also made available. Subsequently in India, Cooperation was made a provincial subject and each province had the right to enact its own legislation. The erstwhile Bombay State enacted a law called the Bombay State Cooperative Societies Act, 1925. The Indian example and especially the Cooperative Societies Act of 1925 was utilised by governments in many developing countries to enact special cooperative legislation and in formulating programmes of cooperative development. An active role of state initiation and state sponsorship of the Cooperative Movement was visualised on account of poverty, mass illiteracy and the absence of leadership in the developing countries.

During the post-war period, a number of countries in Asia achieved independence one by one. Governments in all these newly independent countries were greatly concerned in bringing about economic uplift of its population. Some of the countries such as India formulated Five-Year Plans from the early 50's to secure speedy economic development and assigned an important role to the Cooperative Movement in the national plans. A thorough study of the agricultural credit and the Agricultural Cooperative Movement was made by the Rural Credit Survey Committee which submitted its report in 1954. The Committee came out with far-reaching recommendations in regard to providing support to the Cooperative Movement with a view to accelerating its development.

II : CONTRIBUTION OF COOPERATIVES TO NATIONAL DEVELOPMENT

ROLE OF COOPERATIVES IN NATIONAL DEVELOPMENT

We will outline below the contribution that cooperatives can make to national development. Views of Cooperative Movements as well as governments in this regard are described. It would be obvious from a perusal of these views that there is an identity of opinion among cooperative leaders and policy-makers in governments that cooperatives can make a significant contribution to improving the social and economic conditions of people through the instrumentality of cooperatives which can mobilise peoples' participation in national development programmes.

MOVEMENT'S VIEWPOINT

Based on a special study commissioned by it, the ICA formulated its Cooperative Development Policy in 1982 on the basis of the discussions at the ICA Congress in 1980 and its Central Committee in 1982. The Policy for Cooperative Development up to the year 2000 A.D. provides well-considered guidelines on the contribution of the Cooperative Movement to development efforts.

The basic objective of the ICA Policy on Cooperative Development is the establishment and growth of independent democratic and viable cooperative organisations, in which men and women participate on equal terms. These organisations must be capable of serving their members efficiently and contributing to economic growth and social equity in their respective communities and/or countries.

The policy then proceeds to specify the areas in which cooperatives can make important contributions to the development process in the Third World :

(i) Food and Nutrition

Special emphasis in economic development in the Third World must be given to increased food production in combination with more efficient systems of food distribution and improved knowledge of food processing and utilisation.

There is ample evidence that land reform, supplemented with other means, can substantially increase productivity. In total, 600 million people in the rural areas of the developing world lack access to the land. As productivity in small labour-intensive farms is usually considerably higher than in the large estates, redistribution of land would be an effective means of increasing food production especially if combined with agricultural cooperatives, fishery cooperatives, productive and workers cooperatives, supported by saving and credit institutions. Development of the fishing industry is of great importance for the supply of food.

(ii) **Urbanisation and the Cooperative Movement**

It is estimated that by the year 2000, more than half of the population in the Third World will live in urban communities. Due to the fact that migration from rural areas is added to the natural population increase, the growth of the cities is very rapid. The production of dwellings, water and sewage systems, as well as the installation of transport facilities, schools, retail stores, etc...do not keep up with escalating needs. Consequently a great and growing majority of the population will have to live in slums and shanty-towns.

Slum improvement is one of the urgent policy areas in developing countries. This is a field where "help to self-help" is especially important and where there is a large scope for cooperative activities, not least in the fields of consumer, credit and housing cooperation.

(iii) **Employment and Industry**

Cooperative organisation, particularly in small and medium scale industrial enterprises offers a viable alternative to other forms of industrial organisation. It is particularly appropriate to the application of labour intensive productive techniques. Therefore, it is important to promote industrial producers' cooperatives, both in rural and urban areas. Industrial cooperatives in urban areas can offer income-generating opportunities for both men and women. Such cooperatives in rural areas can contribute to the provision of industrial products and at the same time reduce the migration into the cities.

(iv) Savings, Credit and Insurance

Development is not only a question of mobilising human resources. It is also necessary to mobilise capital and to ensure a minimum degree of security against the risks of life. It is true that in many developing countries the State provides a certain amount of capital to cooperatives in the form of grants and loans. Other sources of credit should also be identified. However, if a cooperative organisation is to stand on its own feet and attain the necessary self-reliance, it has to raise a considerable part of the capital required from among its own members.

Savings and credit cooperative societies, which have played and will continue to play an important role especially in strengthening the economic security of their members, at the same time provide capital for cooperative investment. Cooperative banks can make decisive contributions to the establishment and expansion of cooperative organisations in a financially sound way. The same is true of cooperative insurance societies.

(v) Other types of Cooperatives

There is a great number of other cooperative organisations, for instance in the fields of handicrafts, processing, health and welfare services. Well managed they all satisfy important needs of the members and of the community.

In this context it is essential to mention the innumerable associations which are voluntary, democratic, self-help organisations formed in order to satisfy specific needs of their members, but which do not meet all the requirements for registration as Cooperative Movement. It may be a group which digs a well, acquires a handpump and elects a person to be responsible for the maintenance of the pump. Such "pre-cooperatives" have been organised in great numbers by people—often among the poorest groups of the population—who join hands in solving common problems, be it in urban slums (e.g. sewage disposal) or in rural areas (irrigation, transport). These self-help groups are natural allies of the Cooperative Movement. There should be good opportunities for many of them to develop into formal

cooperative organisations, given access to the necessary guidance and training. In all circumstances, however, the future will call for a great variety of cooperatives of all sizes as well as of pre-cooperatives.

PRIORITIES FOR SECURING COOPERATIVE DEVELOPMENT

The ICA policy document next proceeds to outline the priority areas to which attention must be given in order to achieve sound and lasting cooperative development. These priorities are listed below :

(a) Development towards self-reliance

In most developing countries, governments pursue an active policy for the promotion of cooperative organisations in the frame of their own development plans. Their objectives are the growth of self-reliant Cooperative Movements. In order to achieve this goal weaning procedures should be designed which are acceptable to all parties. They should be in the form of time-bound plans for the transfer of functions—i.e. related to education and training—form State institutions to the Movement. Such procedure shall be promoted and supported by ICA as a matter of high priority.

(b) Democracy

A cooperative organisation can retain its character only if it is owned and controlled by its members in a truly democratic way. This presupposes not only effective democratic organisation but also—and no less indispensable—an enlightened membership. One of the high priorities for ICA shall be to encourage and assist member organisations in their endeavours to organise an effective and committing member education. Its resources have been very limited, but measures have been taken to increase the capacity in order to better meet the needs of member organisations. In educational activities stress should be laid on the involvement of women—largely an untapped resource in cooperative democracy.

(c) Involvement of Women

In a true cooperative democracy men and women participate

on equal terms. ICA shall assist in the attainment of this objective by influencing public opinion and by supporting programmes that aim at raising the status of women, e.g. by means of literacy campaigns, nutrition education, income generating projects for women, developing of thrift and loan societies. In all these fields cooperation has proved to be an effective instrument of change.

(d) Education and Training

It has been both the faith and the experience of cooperators that education and training is necessary for healthy cooperative development. Cooperative education is a basic principle of cooperative action and it is essential that education and training programmes should continue to be accorded the highest priority and adequate provision for this should be included in all development projects. In particular, education and training programmes for members as well as committee and board members at field level are vital for good cooperative performance. Without this, the desired level and quality of popular participation in the control of independent cooperatives cannot be expected.

(e) Professional Management

Another matter of high priority is staff training. Too often, and not only in developing countries, cooperatives fail because of bad management. Cooperative organisations can grow and improve their services only through the professionalisation of management. Therefore, an efficient system of cooperative staff training is a vital necessity.

(f) Promotion of effective personnel policy

In order to retain skilled staff, cooperative organisations must establish comprehensive personnel policies, including adequate recruitment and training, competitive salary systems, job security and career possibilities.

(g) Promotion of national and apex organisations

The promotion of national and apex organisations is an

important part of the development of an autonomous Cooperative Movement. The main burden of promoting the establishment and growth of local cooperative societies will be carried by these unions or federations.

(h) **Research**

It is necessary that due attention is given to the examination of needs for technical assistance, project identification, feasibility studies, monitoring and evaluation of cooperative development programmes. These elements should be included in all ICA supported projects, including seminars and conferences. ICA should, moreover, take an active part in the search for innovative models of development programmes.

GOVERNMENT VIEW POINTS

In India, Indonesia, Republic of Korea and the Philippines, promotion of cooperatives has been mentioned in the respective Constitutions of these countries.

Governments of the developing countries of Asia have looked upon Cooperative Movement as important instruments of planned economic development and have assigned them important place in their national development policies and plans. For example, such a policy has been succinctly stated in the Third Five-Year Plan of India and has been basically outlined in succeeding Plan periods. This policy is quoted at some length below, as it would show how close are the views of the leaders of the Movements and national governments. Cooperative development policies on somewhat similar lines are spelt out in other countries of Asia as well, although the scope for cooperative activity and the priority given in national development plans vary a great deal.

INDIA

In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and

construction, and the provision of essential amenities for local communities. Even in medium and large industries and in transport, an increasing range of activities can be undertaken on cooperative lines. The socialist pattern of society implies the creation of large numbers of decentralised units in agriculture, industry and the services. Cooperation has the merit of combining freedom and opportunity for the small man with benefits of large-scale management and organisation as well as goodwill and support from the community. Thus, a rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for social stability, for expansion of employment opportunities and for rapid economic development. Along with a growing public sector and a private sector which functions with responsibility to the community as a whole, the influence of cooperation extends far beyond the particular activities organised on cooperative lines, and gives to the social structure and the national economy, balance, direction and a sense of value.

“Economic development and social change are equally vital elements in the reconstruction of India’s social and economic structure. Cooperation is one of the principal means for bringing about changes of a fundamental nature within the economy. As was stated in the Second Five-Year Plan, in a country whose economic structure has its roots in the village, cooperation is something more than a series of activities organised on cooperative lines; basically, its purpose is to evolve a scheme of cooperative community organisation which touches upon all aspects of life”

MALAYSIA

In Malaysia, the Prime Minister of Malaysia spoke in 1970 about the role of cooperatives in national development in somewhat different yet very positive terms:

“It is only since our attainment of independence that the Cooperative Movement in Malaysia was made to bear some significance to our national life. The Government, conscious of the importance of the Cooperative Movement, has rightly brought it into and within the structure of the nation’s overall economic planning. While the Cooperative Movement, has achieved a measure of success in some of its endeavours, there is still much room for improvement. It is evident that in some respects it

is unable to meet the challenges facing the nation in our quest for modernisation and advancement”.

“I would like to take this opportunity to state here that I consider it essential that we should have a new and indeed a more vigorous concept of Cooperative Movement in Malaysia. It is necessary that our approach to cooperative development should be attuned to the reality of our society. I am pleased that the Minister of National and Rural Development, who is now responsible for Cooperative Development, has set up a Committee to review our whole concept of this Movement. Cooperative Movement is an important means of achieving the objective of the government’s economic policy, that is, the need for providing employment to our people, for giving equal opportunities and for bridging the gap between the haves and the have-nots so that the wealth of the country will be most justly and equitably distributed and social injustice eliminated”.

“The Cooperative Movement should essentially be geared towards this end. It must, therefore, be invigorated and injected with greater dynamism in order to be a really efficient and effective vehicle for progress. We should review the whole structure and operational machinery in order to provide a stronger basis for the Movement”.¹

“The Fifth Malaysia Plan, 1986-90, states that in the task of modernising and commercialising the small holder agricultural sub-sector, major emphasis will be given to human resources development and cooperatives will be one of the rural institutions whose services will be harnessed for this task, in order to stimulate creativeness, self-reliance and entrepreneurship”.

INDONESIA

The role of cooperatives and the efforts to promote them in the Third and the Fourth Five-Year Plans of Indonesia are outlined below:

The Third Five-Year Plan of Indonesia (Repelita-III) lays down in

¹Quoted from G.K. Sharma, Government Role and Policy for Cooperative Development—Paper presented at the ICA-AARRO Top Level Cooperative Leaders Conference, held in Tokyo, November 1983.

the implementation of national development, all domestic funds and forces, should be utilised. This should also be accompanied by policies and steps aimed at supporting, guiding, developing and promoting the capability of economically weak groups to participate in the process of development. In this framework, cooperatives constitute one of the instruments and means commensurate with the aims and purposes earlier mentioned.

“Apart from that, cooperatives at the same time become an important economic organisation in the framework of increasing savings and production. Cooperative could also be an instrument in solving disharmony in society, i.e. as an organisation of economically weak groups in society. This means that fostering cooperatives is in line with the basic principles of economic democracy which provide that the community should play an active role in development activities, besides guaranteeing the implementation of the principle of an equitable distribution of burdens and the results of development in accordance with the sense of justice”.

Under the Fourth Five-Year Plan (Repelita-IV) it has been stated—
The efforts to promote the development of cooperatives will be directed towards : (i) raising the capability of the village unit cooperatives and other primary cooperatives to act as independent business entities; (ii) promoting cooperative activities in various sectors, for example, in trade, agriculture, manufacturing, electricity, loans and savings accounts; and (iii) enhancing the cooperatives ability to cooperate, either individually or other non-cooperative business organisations.

To achieve the three objectives, cross sectorally integrated policies will be implemented in the sectors of education, trade and cooperatives, regional government, procurement and distribution of food and other essential commodities, as well as in the transportation and credit sectors.

The President of Indonesia had the following to say in regard to cooperatives in his address delivered on 1st March 1983 at the General Session of the People's Deliberative Assembly of the country.

“The concrete and successful attempts to raise the ability of the weak-economy group and to enhance the prosperity

of the mass of the people in the context of carrying out equitable development and social justice, have been made through developing the cooperatives, especially through developing the Village Unit Cooperatives (KUD) and the other primary cooperatives”.

In these last five years, the increased ability and role of the “KUD” and other primary cooperatives can be seen and felt in handling supplies of production inputs and in marketing products, particularly in the agricultural field, such as the production of rice, secondary crops, fishery, stock-raising and estates, in addition to the field of handicrafts and small industry and services, such as metal handicrafts, transport, saving and lendings and the like.

“Progress is also tangible in the cooperatives, both in the field of their management and in that of their capital, so as to boost public trust and the confidence of members in the life and future of cooperatives. Nevertheless, the work of promoting and expanding the cooperatives still needs to be intensified, so that the cooperatives can in the future truly become one of the strong pillars for the national economy and from the activator to raise the abilities of the weak-economy group so as to advance towards social justice”.

ASSESSMENT OF COOPERATIVE PROGRESS

The United Nations Research Institute for Social Development (UNRISD) made a multinational study on “Rural Cooperatives and Related Institutions as Agents of Planned Change” during the 1970s. The general conclusion of the study was that cooperatives are not playing this role of “Change agents”.

Mr. Alf Carlsson in the ICA/COPAC Occasional Paper on the “Relationship between the State and Cooperatives in Developing Countries”² states that the outcome of the study and its methodology were much criticised and it was regarded necessary to correct some misconceptions and misunderstandings concerning the nature of cooperatives, their objectives and functioning.

Mr. Carlsson further states in this regard as follows:

That such misconceptions are still current is shown by the

2. Stockholm, August 1986, pp. 8-9.

statement of the ILO representative at a workshop entitled "Why Cooperatives Succeed...and Fail", which was organised by the U.S. Overseas Cooperative Development Committee, in Washington, D.C. in October 1985.

There are some common misconceptions about cooperatives, which lead them to be blamed for failure when such blame should rightly be placed elsewhere (often on the development planners). These include:

- that cooperatives can succeed even when external circumstances are all unfavourable;
- it is not widely understood that cooperatives are slow to mature, in common with other people's organisations; they are more likely to survive and prosper as viable self-help institutions through the normal process of steady growth rather than through any accelerated growth imposed by the exigencies of an urgent development situation (e.g. many state directed settlement schemes); in developing countries, in the context of their relationship with government and the State.

The author also does not share the conclusions being drawn by some agencies and academicians based on the UNRISD study that cooperatives have failed in their objectives of strengthening the weak. His own experience of work with Cooperative Movements in Asia for over three decades leads him to believe that a balanced conclusion needs to be drawn in regard to the work of the cooperatives. In Asia, rural cooperatives have made a tremendous contribution on a nationwide scale in the Republic of Korea and Japan. In all other countries of the region, significant successful examples exist. In respect of dairying and sugar, cooperatives in India have developed to an extent whereby they make a far-reaching impact on the lives of their members and on the national economy as a whole; they have also made a significant contribution to the ushering in of the Green Revolution. The three outstandingly successful nationwide cooperatives in Malaysia and cooperative sugar federations, dairying and fertilisers production in India have demonstrated their capacity to operate large-scale commercial, agricultural and industrial enterprises requiring modern sophisticated machinery as well as managerial and technical expertise.

The author outlined a framework for Cooperative Development based on a detailed review of cooperative development efforts in Asia in his paper "Role of Cooperatives in National Development."³

PRE-CONDITIONS FOR COOPERATIVE DEVELOPMENT

Studies of cooperative development efforts both nationally and multi-nationally have revealed that certain basic pre-conditions should be fulfilled for successful establishment and operation of cooperative societies. These pre-conditions are as follows:

(i) Development of infrastructure

The development of infrastructure, viz. irrigation facilities, roads, transport, communication, warehousing, marketing structures and the needed technological research, e.g. in the field of agriculture and fisheries, are of utmost importance for creating conditions for successful development of any kind. Cooperatives would have a better chance of success if the programmes of cooperative development are simultaneously accompanied by such infrastructural development.

(ii) Land reforms

It is found that cooperative organisations succeed better where a certain degree of homogeneity amongst members exists. The experience of Japan and the Republic of Korea indicates that the introduction of far reaching land reforms created the necessary socio-economic environment for the successful launching and operation of Cooperative Movements. Where strong disparities in land ownership and cultivation rights exist, it has been found that the benefits of cooperative action are appropriate to a considerable extent by well to do sections of the rural populations. Unless a fairly egalitarian structure is created, it would be incorrect to expect the cooperatives to make a significant

3. For a Detailed review, see J.M. Rana. Role of Cooperatives in National Development in "Enhancing Cooperative Capability", issued by AARRO and ICA RO, 1984, pp.35-48 : Paper presented at the ICA-AARRO Top Level Cooperative Leaders Conference held in Tokyo, Japan, November 1983.

and nation wide contribution to agricultural and rural development.

(iii) ***Proper pricing policies***

It is essential that appropriate agricultural price support policies are formulated to ensure a reasonable level of price stability for agricultural commodities. Small and marginal farmers with their very low capacity of bearing risks cannot be expected to move away from subsistence farming to commercial farming in the absence of price support measures. The farmer as also the fishermen needs to be provided certain price guarantees against market uncertainties and severe price fluctuations. He needs to be provided an assurance that he will receive a return that will cover his cost of production plus a certain margin that would allow him a reasonable level of income. Import policies in respect of agricultural produce also have to be carefully designed keeping in view the need of protecting the farmers and enhancing agricultural productivity. Such necessity is already recognised in all the advanced countries.

(iv) ***Crop insurance***

The farmers are exposed to the vagaries of weather. Natural calamities such as droughts, floods and cyclones damage their crops and disrupt their already fragile economies. Schemes of Crop Insurance to protect them from such unforeseen calamities should be developed so as to impart some measure of stability to their economies. In the absence of Crop Insurance Schemes, Relief and Rehabilitation Funds should be established to help out the farmers as also the fishermen. Without such schemes, farmers and fishermen's cooperatives would lack stability and would be exposed to rude periodic shocks and failures for no fault of their own.

III : ROLE OF GOVERNMENT IN PROMOTING DEVELOPING COOPERATIVES

ROLE OF GOVERNMENT VIS-A-VIS COOPERATIVE MOVEMENTS

The rationale for Government to play a significant role in

cooperative development has already been dealt with to some extent in Section-I. Traditionally it was argued by both the colonial governments in Asia as well as by the governments after independence that cooperatives are organisations of the weak and hence they need special support. The members of the cooperatives suffer from widespread illiteracy/low levels of education, traditional methods of production in respect of farming, fishing, cottage and small-scale industry etc., poor economic conditions and lack of adequate capital, leadership, management and technical expertise. Cooperatives in the rural areas are pitted against the strongly entrenched money-lenders-cum-traders who have important links with the urban sectors of banking, commerce and industry. It was against this background that the All India Rural Credit Survey Committee, 1954, argued for strong and active assistance to rural cooperatives and formulated a policy of "State Partnership in Cooperative Development". Similarly support on large scale was provided by the Government in the Republic of Korea to agricultural cooperatives. Assistance in various forms have been provided by governments in other countries of Asia also.

The needs for government sponsorship and support to cooperative organisations in developing countries of Asia has been accepted by cooperative leaders as well. As has been pointed out in Section-II of this paper, there exists a close identity of interests between government policies of the Asian countries and the objectives of the Cooperative Movement. It is on account of this identity of interests that cooperators have not only welcomed but also demanded state policies and assistance programmes for facilitating the growth of the Cooperative Movement. The State support to Cooperative Movement is not incompatible with Cooperative Principles has been very well enunciated by the ICA Commission on Cooperative Principles and the Royal Commission on the Cooperative Movement in Sri Lanka in their respective Reports.⁴

The ICA Commission makes the assumption as do many cooperative leaders and researchers that state support to cooperatives should be a transitory phase.

4. Mr. A.F. Laidlow, an outstanding Canadian Cooperator, was Chairman of the Royal Commission in Sri Lanka. For a detailed discussion of the subject, see J.M. Rana, "Forms of Government Aid and Cooperative Democracy" paper presented at the ICA-AARRO Asian Top Level Cooperative Leaders Conference held at Tokyo, 1973, pp. 173-178 of the Conference Report.

FORMS OF GOVERNMENT ASSISTANCE

Government assistance to Cooperative Movements may be categorised under the following main heads. These categories are not exclusive and have close relationship with each other. For example, cooperative policy would determine the nature and content of cooperative legislation, the nature of government aid etc. Similarly cooperative legislation would include aspects of government financial aid, supervision, audit, etc.

- i. Cooperative legislation,
- ii. Establishment of Cooperative Department,
- iii. Formulation of Policy of Cooperative Development,
- iv. Financial aid,
- v. Assistance in the field of Education and Training,
- vi. Assistance and guidance by way of Supervision, Inspection and Audit.

COOPERATIVE LEGISLATION

Cooperative legislation performs a number of functions. First, it recognises the special character of cooperatives as distinct from partnerships, joint stock companies and public corporations. In this process the cooperative principles have to be translated into legal norms. It is important that the law is formulated in such a way that it facilitates the establishment of voluntary and genuine cooperative organisations based on cooperative principles. Secondly, the cooperative law contains provisions in order to prevent speculators, capitalists and traders from forming cooperative societies, since cooperative societies are meant for ordinary persons and the purpose of these societies is service and not profit. Thirdly, the cooperative law contains provisions for conferring special privileges and facilities upon cooperatives in order to encourage their formation and assist in their operations. Fourthly, the cooperative law contains provisions outlining the cooperative management set-up and the duties and responsibilities of the general assembly of members, the Board of Directors and the General Manager. Finally the cooperative law also spells out the responsibilities of the government as promoter, guide, coordinator, aid-giver and watch dog of the Movement. All the above four aspects are essential and desirable. However, in regard to the last aspect developments in the post-indepen-

dence cooperative legislation has produced seriously negative results.

A detailed review of cooperative legislation in various countries of Asia is not feasible in the space of this paper. A comprehensive study of Cooperative Laws vis-a-vis Cooperative Principles in India was made by Messrs. P.E. Weeraman, R.C. Dwivedi and P. Sheshadri. Mr. Weeraman also made a study of the Effect of Cooperative Law on the Autonomy of Cooperatives in South-East Asia. The general conclusions of these studies point out that there are several provisions in many cooperative laws in the region which inhibit free functioning of cooperatives, the development of initiative and enterprise in the members and they do not allow the needed autonomy to cooperative organisations. Mr. Weeraman concludes on the basis of his study that in some countries the interference from the government is inordinate with the result that the cooperatives have been reduced to positions of state adjuncts.

In the post-independence era, the cooperative laws have been amended or new cooperative laws enacted. The laws have become more complex and have vested in the government considerable powers of regulating and controlling cooperative organisations. Since cooperative organisations have been registered and brought into being to implement government policies e.g. of increasing food production or distributing scarce consumer commodities, governments have concentrated on implementing such government policies; in this process they have generally neglected to preserve their cooperative character to nurture cooperative organisations and to allow them to function on the basis of cooperative character viz. member interests, member control and democratic management. Provisions have been added to cooperative laws allowing government to supersede elected boards of management, appoint its nominees to cooperatives' boards, impose by-laws and even assume powers of the general assembly of members. Under such a legal cooperative set-up, cooperative leaders get demotivated and members regard cooperatives as government bodies and not their own institutions.

In the opinion of the author, cooperative legislation in most countries in Asia requires urgent revision in very many important aspects. Cooperative law, however, is an instrument for the implementation of a government policy of cooperative develop-

ment. The remarks made earlier show that there is a lack of clarity in regard to government policy. Policy of implementing government's other programmes have taken precedence and priority over the policy of sponsoring and developing cooperatives. As a result the true character of the Cooperative Movement has been undermined, in some cases even destroyed. A clear enunciation of a Cooperative Development Policy is therefore of utmost importance in any future attempts at revising/enacting new Cooperative Laws. The acceptance of Cooperative Principles in a Cooperative Development Policy is therefore the first step. Cooperative Principles should then be translated into legal norms. Secondly, the Cooperative Laws may make provisions for pre-cooperatives if it is felt that full-fledged cooperatives are not feasible in certain areas or certain groups of people due to their lack of capacity. Thirdly, special provisions may be made for organisations in which state participates by way of share capital and management with the aim of making them full-fledged cooperatives in course of time. Thus the Cooperative Law should have three separate sections for each of these three forms viz. full-fledged cooperatives, pre-cooperatives and state-partnered cooperatives. The aims and objectives of the latter two categories should be clearly spelt out in Cooperative Laws and procedures outlined for converting them into full-fledged cooperatives. Finally, the Cooperative Laws should be kept as simple as possible by laying down the general outlines, the details being left to cooperative by-laws.

In most Asian countries, National Cooperative Unions and Business Federations have been established. They should be consulted and their views taken into account in revising cooperative laws. Professor Hans M. Munkner, an authority on Cooperative Law for the developing countries recommends participative law-making and advocates dialogue with the target population as one of the seven steps in law-making. There is great merit in this recommendation. Revision on Cooperative Laws should be carried out with the widest possible consultation with all affected parties, especially the target groups, cooperative leaders at the district levels, national organisations and cooperative research workers.

ESTABLISHMENT OF COOPERATIVE DEPARTMENTS

A Cooperative Department is established in almost all countries of the Region with the Registrar of Cooperative Societies as the

Head. As he is also given the task of carrying out organisational work before registering cooperative societies, and subsequently assisting in their development, in some countries he is also designated as the Commissioner/Head of Cooperative Development. Usually the Registrar/Commissioner is assisted by a large number of officials working at the H.Q., districts and country levels, designated as Joint, Deputy and Assistant Registrars, Inspectors and Auditors.

One of the most important functions which the Registrar is expected to perform is that of extension/education of people for whom cooperatives are to be organised, and preparing the would-be members for cooperative organisation. Economic feasibility and viability of the cooperative to be established are also examined by him. After the societies are registered, the Registrar and his staff supervise and guide the cooperatives in their operations. Heavy emphasis was placed on these functions in the pre-independence period and hence developed the well-known statement that the Registrar is the friend, philosopher and guide of the cooperative movement.

Audit is another responsibility of the Registrar and with it goes the task of firm and friendly advice as also being a task master to see that the advice tendered is complied with.

The Registrar is also given the authority to be an arbitrator in respect of disputes wherein a cooperative society is involved. This power is given to the Registrar in order to protect the cooperatives from time-consuming, costly and often complicated civil litigation.

Thus the Registrar of Cooperative Societies had the important development function with great stress on education of members and committee members. This function was in addition to the traditional functions of registering cooperatives, receiving annual reports and liquidating cooperatives which are purely legal functions as performed in industrialised countries of the West.

With the advent of independence cooperatives were expected to be instruments of social and economic development as has been mentioned earlier in the Paper. In fact the trend already started during the period of the Second World War when cooperatives

were organised in great numbers and were entrusted with the responsibility of distributing scarce consumer commodities which were rationed and price-controlled. After independence was achieved, governments utilised cooperatives in their food production programmes by entrusting them distribution of fertilisers and other inputs and as agents for procuring foodgrains at fixed prices. Their role as distributors of scarce commodities also continued in the fifties. As part of development plans targets of organising new societies and of performance in terms of sale of fertilisers, purchase of foodgrains, etc. were fixed. A large number of cooperatives were thus organised in a hurry without adequate preparation of members. Extension, the most important function of the Cooperative Department, was the first casualty. Next to suffer were supervision, inspection and guidance functions. Even, statutory annual audits went into long arrears, leaving the cooperative societies in a real mess. The motivation of the Registrar and the Cooperative Department changed, sometimes slowly, sometimes under great pressure from the government, yet it changed in most countries steadily. This process was further assisted by amendments to Cooperative Laws as mentioned in the preceding section which gave increasing, in some cases awesome powers to the Registrar. The Registrar's role changed from that of a friend, philosopher and guide to that of a controller, manager and even a master of the Cooperative Movement. Recalcitrant Registrars who would not understand this new role were changed. Further the cooperative laws were amended in some countries to vest certain powers in the Ministers since the control of cooperative organisations were important for protecting political positions of the party in power. In quite a few countries boards of directors of all important cooperatives, say at the district level, were superseded and new boards appointed when a new government came to power. In several cases elections to cooperatives were suspended for long periods and cooperatives were managed by nominated boards. The powers assumed by the government in respect of cooperative societies thus became almost "dictatorial", with the result that erstwhile cooperators often asked "Do we have a Cooperative Movement"? The ordinary people believed cooperatives were government outfits.

While the above picture look grim, it should nevertheless be stated that there are still bright stars in the firmament. As noted earlier, cooperatives have successfully developed in certain

areas despite the above handicaps. Also studies made by some researchers of Kasetsart University of Thailand revealed that cooperatives in those districts had succeeded which had dedicated and efficient district cooperative officers.

The situation is such, however, that it calls for a remedy. The Registrars of Cooperative Societies in the early days used to be senior officers with a flair for development work. Today in several countries, the Registrar is a typical civil servant who knows that his tenure in the Cooperative Department is a limited one. Often he is appointed without having had any previous experience of cooperative work. He thus looks upon his job as an Administrator rather than as a Development Officer. The other personnel in the Department also need training in cooperative principles, extension, development economics, financial management and consultancy techniques. Education and training of cooperative department personnel is of utmost importance for fostering a sound Cooperative Movement.

It may be repeated at the cost of being tiresome that at the moment cooperative department officers are administering Cooperative Laws which are in some cases antithesis of Cooperation. Unless the laws are reformed, learning "Cooperative Principles" is of little value since the officers cannot practise them.

This brings us back to the all important question of having the correct Cooperative Development Policy.

NATIONAL COOPERATIVE DEVELOPMENT POLICY

We have emphasised earlier the need for formulation of a National Policy on Cooperative Development (NPCD). Such a Policy would provide guidelines for enactment of the right kind of cooperative legislation; give direction to the Ministry and the Department responsible for cooperative development, coordinate efforts of other government departments and agencies wanting to utilise cooperative instrumentality for implementing their programmes, and would guide the efforts of the cooperative leaders, members and the cooperative organisations. Monitoring of results and evaluation of performance of cooperative organisations would also be facilitated. We would advocate the formulation of a Long Term Cooperative Development Policy so as to provide firm foundation for sustained long-term cooperative effort

over a period of 10-15 years, and thereby protect the cooperatives from short-term political or economic exigencies.

As has been stated earlier, governments in most countries have formulated policies on cooperative development. The policies outline in some detail the contribution that the cooperatives should make in various spheres of economic life such as agriculture, fisheries, consumer activities, etc. The policies also outline schemes of State assistance. However, one of the lacunas in the policies generally is the lack of a statement that cooperatives would be promoted and utilised in schemes of national development in accordance with cooperatives. Also no distinction is made between organisational forms such as pre-cooperatives, cooperatives with substantial State support, state partnered cooperatives and full-fledged cooperatives. These are the four distinct forms or models of cooperative organisations that have emerged during the last 70-80 years of cooperative history in Asia. It is essential to recognise these models in order to evolve norms of government's relations—assistance, development and regulatory functions vis-a-vis cooperatives. Cooperatives are at various stages of growth and it is suggested that these stages in the life-cycles of coops recognised and attempts made to assist coops for the other three categories to graduate into full-fledged cooperatives. One of the aims of NPCD should be to progressively deofficialise the Cooperative Movement and lead individual coops, coop structures in particular economic or geographical areas and the cooperative system as a whole to become fully self-reliant and autonomous. Various milestones in the process should be identified and mechanisms and assistance programmes devised to help this process.

The role of secondary and apex bodies should also be defined in securing progress towards autonomous cooperatives. In fact the national cooperative organisations and business federations, which now exist in most countries of Asia, can take over progressively a number of functions of government cooperative departments. Ideally all development functions should be performed by the national cooperative bodies, the Cooperative Department performing only the functions of registration of cooperatives, protecting the cooperatives against the entry of traders and speculators as members, conducting inquiries and taking action against dishonest and fraudulent board members and officials, and liquidating cooperative societies. If funds at

present made available to cooperative departments are allocated to national cooperative organisations, we see no reason why the latter cannot perform effectively the development functions. Possibly, the same, even better results would be achieved at less cost to the national exchequer. The track record of the National Agricultural Cooperative Federation in the Republic of Korea (which is a State-supported body) and the National Dairy Development Board in India (which is a Non-profit Association with a highly successful cooperative manager as Chairman) in the growth of agricultural and dairy cooperatives respectively in their countries is outstanding.

A question of accountability to Parliament is raised when government funds are made available. In this regard the Ministry in charge of cooperatives can receive from the aid-receiving national organisation periodic reports on utilisation of funds, work performed and results achieved as well as audited statement of accounts and then report to Parliament, just as it does when grants and subsidies are given to individual cooperatives. The Cooperative Ministry can be accountable to Parliament in the same manner as the Ministry of Finance is accountable in respect of the Central Bank of the country which is an autonomous body and as the Ministry of Law and Justice renders its accountability in respect of the judiciary which is independent of the executive arm of the government. The Cooperation Ministry does not have to perform all functions by itself or manage or strictly control the operations of the National Cooperative Organisations in order to satisfactorily discharge its obligations to the Parliament.

The above suggestion may appear too drastic or idealistic. Possibly an intermediate stage of creating a National Cooperative Development Council to be responsible for development functions may be acceptable. The Council can be composed of an equal number of cooperative leaders and government officials with possibly the Minister of Cooperation as Chairman. It is, however, essential that the status, objects, functions, resources, etc. of the Council are defined in the Cooperative Law or a special enactment so as to give it the needed autonomy to perform its tasks. The Ministry should refrain from interference in the work of the National Council or else the purpose and effectivity of the Council would be seriously blunted as has been the case with many public sector corporations.

We have dealt with the Registrar's functions of registration, inquiries and liquidation on the one hand and development functions on the other. There are two other important functions of the Registrar viz. audit and arbitration for which separate institutional arrangements are necessary. Auditing is no longer a simple affair it used to be in small societies and also when societies were fewer. Regular, timely and effective audit is of great importance for the health of a cooperative organisation. It is also a specialised function requiring specific skills. The Cooperative Movements would be best served if special audit organisations are created and they are made independent of both the Movement and the government. There have been some cases of frauds and corruption in cooperative organisations. Frauds and corruption should be checked and eliminated altogether for restoring members' and public confidence in the Cooperative Movement. Further, the audit organisations are most qualified to provide management consultancy especially in financial matters.

The fourth function of arbitration could be entrusted to Cooperative Tribunals for settling disputes within or between cooperatives as has already been done in one country of the Region. Fairplay and dispensation of justice should be the guiding principles for cooperative tribunals.

The above division of functions and creation of four separate entities have been suggested as the four functions are indeed separate and there is no reason why the government should burden itself with more than the minimum tasks as stated above. It is more effective to establish separate specialised bodies to deal with the above four functions on scientific and systematic basis than finding ad hoc solutions or burdening the Registrar of Cooperative Societies who should best be left to functions as a Civil Servant. The Registrar should no longer be a civil servant administering the Cooperative Law, Development Agency, an Audit Organisation and a Judiciary as well.

The ICA Cooperative Development Policy which has been quoted earlier, and ILO General Conference 1966 Recommendation No. 127 concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries contain excellent suggestions for the formulation of National Cooperative Development Policies. The framers of NCDP would be well served if they

studied these documents carefully and utilised the main elements of these documents in the context of their own special situations and needs. It is well worth repeating that the basic objective of the NCDP should be "the establishment and growth of independent, democratic and viable cooperative organisations, in which men and women participate on equal terms" as stated by the ICA Policy on Cooperative Development. The ILO Recommendation 127 states "Governments of developing countries should formulate and carry out a policy under which cooperatives receive aid and encouragement, of an economic, financial, technical, legislative or other character, without effect on their independence".

FINANCIAL AID

Governments in the Region assist cooperatives by way of grants, subsidies and low interest loans. In India the Government provides about 50 per cent of share capital to agricultural cooperative banks, marketing and processing societies, through such equity participation the State becomes a partner in cooperative organisations. It is through such massive assistance that Cooperative Sugar Factories in India have progressed to a stage when they now produce sixty per cent of the total sugar production in the country.

Lack of capital is one of the most important obstacles to the inability of cooperatives to render effective services or to enter areas such as processing of agricultural commodities. Hence, the strong need for financial aid to cooperatives. However, at the same time cooperatives need to develop mechanisms and procedures to build own capital and mobilise resources from members in order to return government loans and reduce their dependence on government. In the long run, cooperative autonomy is not feasible without financial autonomy.

Financial support to cooperatives should be accompanied by other assistance by way of preference in government licenses, e.g. for establishing agro-processing units and favourable treatment from Financial Development Institutions. Lack of such adequate support has inhibited cooperatives' entry into agri-industries except rudimentary processing. The presence of multi-nationals in the agri-business fields in many Asian countries such as dairying makes it all the more necessary for governments

to provide substantial administrative and financial support to farmers' cooperatives, without which the multi-nationals would milk away the cream off farmers' produce efforts.

COOPERATIVE EDUCATION AND TRAINING

Cooperative education of members, committee members and the employees of cooperatives is the most important element in enabling the cooperative to perform their tasks and to become self-reliant in management and funds. Hence, cooperative education is one of the Principles of Cooperation. A leading Swedish Cooperator, Mr. H. Eldin had made the now famous statement that the Swedish cooperators had the choice of starting with enlightened members but without capital or starting with capital but without enlightened members, they would choose the first alternative. Human resources are the main capital of the cooperative and hence the cooperative leaders had always emphasised investment in human capital.

We would not go in great depth in regard to this very important topic, except to point out government's role in cooperative education and training, cooperative laws in Asia usually provide that a percentage of surplus, usually five per cent, be contributed to a Cooperative Education Fund. Government Cooperative Departments collect this money and manage the Cooperative Education Funds. Governments in several countries have supplemented these resources and established Cooperative Training Colleges/Institutions at national and regional levels. Arrangements for member education have also been made. In some countries such as India and the Republic of Korea, cooperative education and training facilities are operated by the movement itself. In other countries both the Cooperative Department and the Movement carry out these tasks.

Cooperative education training is one function which the government should transfer fully to the Movement at the earliest. Members must participate in the planning and carrying out education programmes designed for them. Small group approaches such as neighbourhood groups and commodity groups as in Japan and the Republic of Korea need to be adopted for effective member education. Further, each cooperative or a group of primary cooperative must take full responsibility for arranging their members and committee members' education. Secondary

and apex organisations should provide support by way of guidance in formulating education programmes, study material, facilitators and training of facilitators (trainers). In most countries member education work needs to be greatly improved. It also needs to be made a continuing effort—in fact life long education — to understand and to develop appropriate responses to the changing needs of modern agriculture and/or relevant occupations of members, the changing needs and problems of cooperatives and the changing requirements for better living.

Training of cooperative employees must not only be in cooperative matters but also in management and technical aspects.

We have already mentioned the need for upgrading the training of employees of government cooperative departments.

The Cooperative Movements by themselves are not able to raise adequate resources, although they need to use effective methods of raising education funds by linking contributions to membership and turnover. The governments would be making their most effective contribution to cooperative development if they stepped up their assistance in this particular field by way of providing funds for infrastructure and operating expenses. It is the author's impression that government subventions to Technology and Management Institutes whose products are primarily used by the private sector are far greater than those to cooperative training. A comparative study in this regard is called for.

SUPERVISION, INSPECTION AND AUDIT

We have already dealt with this matter earlier. It should be emphasised that the secondary and apex cooperative bodies need to play a greater role in offering supervision, guidance and consultancy services to their affiliates. The government apparatus can progressively withdraw from these tasks as the secondary cooperatives and apex bodies develop capabilities in these fields. A phased programme of withdrawal by government bodies can be worked out and should be included as an important element in cooperative development plans.

ROLE OF INTERNATIONAL ORGANISATIONS

The UN Specialised Agencies especially the FAO, ILO and the

UNESCO have played a promotional role and provided to several governments in the Region technical assistance for cooperative development. The Rural Institutions Branch in the FAO and the Cooperative Section of the ILO pay special attention to Cooperative Promotion Programmes. The efforts of both these Agencies have been of great help to governments of Asia in their cooperative development efforts. On the non-governmental side, the International Cooperative Alliance has given sustained attention since 1960 to cooperative development in Asia and the Far East. With the financial assistance by the Swedish Cooperative Centre, the ICA operated for over 25 years an Education Centre for the Region. The Centre made important contributions to the promotion of cooperative member education, training of trainers of Cooperative Training Colleges and in widening the horizons and improving the skills of senior cooperative leaders and management personnel. The ICA has also assisted by way of a few cooperative projects. More importantly, however, the ICA has kept the flame of cooperative ideology alive and engaged senior policy-makers of the governments and the Movements in a continuing dialogue on genuine and autonomous Cooperative Movement. The ICA is currently assisting its member movements in terms of its Development Policy as a catalyst and a facilitator. Its Regional Office is helping the member movements in critically examining the role of cooperatives in national development and is attempting to create a climate favourable for the growth of genuine, voluntary and autonomous cooperatives. It is also helping its member organisations to create capabilities to identify and formulate cooperative projects on their own so as to stimulate cooperative development from below.

The Asian Development Bank and the World Bank have supported agricultural and rural development efforts in Asia over the years. Cooperatives have received some attention in these Asian Development Bank/World Bank financed projects aimed at developing rural infrastructure.

The combined efforts of the UN Agencies and the ICA and its affiliates have made significant contributions to Cooperative Promotion and Development in Asia. These efforts, however, can only be of catalytic and facilitating nature. The main burden has to be borne by the national governments and especially cooperative leaders and the members. The national cooperative organisations should enhance their capabilities and become engines of cooperative growth.

IV : CONCLUSIONS

It has been the thesis of this paper that Governments have a crucial role to play in the promotion and development of Cooperative Movements in the developing countries of Asia. Governments have provided varying degrees of support to cooperative development in Asian countries. In the process valuable experience has been gained and some lessons can be drawn for future work.

Government have recognised the role of cooperatives in national development and have utilised these peoples' institutions for implementing schemes of national development. Schemes of cooperative development have also been drawn up as part of Plan Programmes. However, certain conflicts have emerged in the process. The instrument of cooperatives as a means of social and economic development has been used but in the hurry of achieving economic results, the instrument of cooperatives has been blunted through its indiscriminate use. The true character of the Cooperative Movement has suffered and what we witness as outcomes of the schemes of cooperative development are often organisations which have some semblance with cooperatives but which in most cases are regarded by the members and the general public as government institutions.

Some suggestions have been made in the paper to redefine the role of cooperatives in national development based on the correct concept of a cooperative organisation, formulation of national cooperative development policies, reform of cooperative laws, reorganisation of government cooperative departments, utilising national cooperative organisations as vehicles of cooperative development and the expansion and improvement of cooperative education and the expansion and improvement of cooperative education and training programmes. The contributions made by international organisations have also been outlined. But it has been stressed that the main burden of cooperative development has to be borne by the national governments and the Cooperative Movements themselves.

It has been emphasised that the aim of cooperative development programmes should be to establish and develop autonomous, democratic and viable cooperative organisations, in which men and women participate on equal terms. Stable, viable and lasting social and economic development of the weak and the poor masses of Asia can be achieved only if cooperative organisations are established and operated on the correct cooperative concept.

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ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES IN ASIA

QUESTIONNAIRE

1. HISTORICAL BACKGROUND

- When was the Coop movement started? please give a brief historical background keeping in view particularly the following:
- Was the cooperative movement state sponsored/spontaneous?
- What were the reasons and objectives for the Government to sponsor cooperatives? (State briefly identifying political, economic, social or other considerations)
- With what activity cooperatives were initiated? What is the extent of diversification now? (Credit, marketing consumers, industrial social services, housing, etc.) Please give latest statistics as much as possible.
- Were there any official reservations in the development of cooperatives? If so, please state briefly.

2. PRESENT STATUS OF COOPERATIVES

- 2.1 Does country's Constitution recognise/incorporate cooperatives? If so please quote.
- 2.2 Is there a separate Ministry/Department for cooperatives? If not, which Ministry co-ordinates them?
- 2.3 In case of a Federal Constitution, is cooperation a national/state/provincial or concurrent subject?
- 2.4 Is there any national policy statement on/relating to cooperatives? If so, please enclose a copy of the statement.
- 2.5 Are cooperatives discussed in the National Parliament? If so, on what occasions/in what context? Give some instances.

2.6 Are cooperatives represented in the National Parliament and to what extent?

2.7 Are cooperatives represented in local bodies?

2.8 What is the place of cooperatives in the economic planning of the country?

2.8.1 Are they recognised/adopted as national agencies to implement plan-programmes?

2.9 Do cooperatives find specific place in the National Plan Documents? please enclose relevant extracts.

2.10 Is there representation of cooperatives in the planning body of the country?

2.11 Are cooperatives involved in the formulation of national economic development plans? If yes, how and to what extent?

2.12 Is cooperation a priority subject area? If so, in which respect?

2.13 Do the cooperatives make their own national plan, keeping in view the national priorities?

3. GOVERNMENT OBJECTIVES OF COOPERATIVE DEVELOPMENT

3.1 What are the long-term government objectives of cooperative development? Please identify the following and others, if any:

- establishment of cooperative commonwealth
- development of a distinct sector of economy to balance the public and private sectors
- build an instrument of economic planning
- develop a self-reliant and decentralised economic system
- increase agricultural production and promote rural development
- diversification of cooperatives to cover various economic activities and social services
- develop an organisational agency to implement government policies
- enlist people's participation
- develop self-reliance among people

- ensure equitable distribution of essential /scarce commodities
- generate self-employment
- build a change-agent
- any other

3.2 What are the development objectives of the cooperatives themselves? Do they synchronise with those of the government objectives?

3.3 How do the cooperatives formulate their policies and objectives? please identify the following methods/mechanism:—

- at national cooperative congress/representatives conference
- general assembly of national cooperatives
- by individual cooperatives
- any other mechanism.

4. ROLE OF THE GOVERNMENT

4.1 What is the role of government in cooperative development? Please identify:

- promotional
- policy/programme formulation
- target determination
- allocation of funds
- enactment of cooperative laws
- building of conducive environment for cooperative development
- providing guidance
- providing/arranging education and training facilities
- management and supervision of cooperatives
- any other
- give a detailed note.

5. GOVERNMENT SUPPORT AND AID FOR COOPERATIVE DEVELOPMENT

5.1 It is an accepted policy of the government to support the development of cooperatives? Give detailed note.

5.2 What are the instruments/methods of government support/assistance to cooperatives? Please identify.

- enactment of cooperative laws
- setting up of statutory or otherwise institutions/organisations for assisting/financing cooperative development.
- promotion of government-cooperative joint enterprises
- promotion of cooperative education and training
- reservation of specific activities or cooperatives
- preference to cooperatives
- purchase of goods/services from cooperatives at premium price
- promotion of foreign collaboration of cooperative projects
- periodical evaluation of cooperatives
- providing guidance to cooperatives
- supervision of cooperatives
- ensuring deposits of cooperatives
- granting concessions/incentives
- other ways
- give detailed note.

5.3 Does the government give directly or indirectly the following:

- contribution to share capital of cooperatives
- grants/subsidies
- providing resources and guarantees to the financing, development-financing institutions?

If so, please give details.

5.4 Does the government extend exemptions to cooperatives from:

- taxation

- registration fee
- licensing fee
- other charges/fees etc?

Please give details

5.5 How is government support to cooperatives comparable to that of private and public sectors? Please give details.

5.6 How does the Government support the building of conducive environment for the development and functioning of cooperatives? Please identify.

- issue of official statements in favour of cooperatives. (please enclose copies)
- inclusion of cooperatives in the curriculum of general education in schools/colleges/universities
- promotion of literature on cooperatives
- incentives to cooperatives
- public recognition to cooperators and cooperatives for their services (norms of selection for public recognition be given)
- motivational programmes on television/radio
- building infra-structural arrangements for marketing/processing, etc.
- promotion of research in cooperation
- development of management
- other
- give a detailed note

5.6.1 Does the Government formulate policies for different sectors of cooperatives and policies for uplifting weaker sections of the society with particular role to cooperatives? If so, please give details.

Please enclose copy/extract of statements/speeches of important one or two leaders on cooperation.

5.7 Does the government influence decisions taken by cooperatives? If so, please identify the instrument/methods of influencing:

- approving/rescinding the decisions of the general body/board of directors

- seconding government officers to cooperatives
- giving directives to cooperatives
- nominating directors on the board of directors with veto powers
- nominating full boards
- use of discretionary powers
- fiscal policy, credit policy, pricing policy, etc.
- other
- give a note in detail.

5.8 Does the Government scrutinise/regulate the working/performance of cooperatives? If so, how? Please identify.

- audit
- inspections/supervision
- performance reports
- laying down norms
- other ways
- please give detailed note.

5.8.1 To what extent the audit/inspection/supervision are regular/timely and what is the extent of their influence in improving/retarding programmes of individual cooperatives?

5.8.2 Is the government staff adequate to complete audit/inspection supervision functions? If not, what is the impact on the efficiency of cooperatives?

5.9 Is audit the responsibility of the government or of the cooperatives themselves? What is the arrangement in case of the latter?

5.10 Is the government involved in the selection/recruitment of the officials of cooperatives? If so, in what manner and for what level of employees?

5.11 Does the government suspend/supersede the elected board of directors? If so, under what conditions?

5.12 What is the share of cooperative business vis-a-vis total national business?

5.13 Impact of Government's role

5.13.1 What has been the impact of government's role/involvement in cooperatives? Please identify.

Positive impact

- accelerated growth
- development of human resources
- increase in membership
- diversification of cooperatives
- recognition to cooperative sector.

Negative impact

- dependence on government
- decreased people's participation
- distorted image of cooperatives as government agency/organisation
- greater government intervention in management
- weakening of cooperative leadership
- officialisation of cooperatives
- politicisation of cooperativea
- erosion of member sovereignty
- less people's initiative
- non-observance of cooperative principles
- others

Give a detailed note

5.13.2 Have any research studies been conducted or special committees appointed to assess the impact of government's role? If so' what were the main findings? Please enclose copies of study reports.

6. CO-OPERATIVE LEGISLATION

6.1 Is there a separate legislation of the cooperatives as a whole/different groups of cooperatives? Please enclose latest copy.

6.2 Does the Law define as to what is a cooperative society? If so, please quote.

6.2.1 What are the pre-conditions for the society to be registered by the registering authority? Give details.

6.3 Does the cooperative law incorporate the Cooperative Principles? If so, please quote.

6.4 Are the provisions of the Law in conformity with the Cooperative Principles as laid down by the International Cooperative Alliance? If not, which provisions of the law violate the Cooperative Principles?

Please give details.

6.5 What kind of relationship does the cooperative law envisage between the government and the cooperatives?

— participative (policy formulation, decision-making, etc.), promotional, development oriented, supportive, regulatory, restrictive, negative, retardatory, inhibitive.

Please quote relevant provisions of the Act.

6.5.1 Have the Government ever abolished any particular type of cooperative or put restrictions on their registration? If yes, please give some details with copy of the relevant Government order/legislation.

6.5.2 Does the government consult/involve the movement in formulating cooperative policies, programme and cooperative laws? If so, what is the mechanism of consultation?

- representation of planning bodies
- consultation/setting up of consultative committee/council with government and coop representatives
- referendum
- setting up joint working groups
- others
- give a detailed note.

6.6 Does the law confer on an employee representative to get elected as an office bearer/directors in the federal organisations? If so, what is the proportion of such persons on the national level boards?

6.6.1 Does the law provide any qualifications for a person to be elected/appointed as office bearers or member of board of directors? Please quote.

6.7 Whose responsibility is it in the law to conduct elections in cooperatives?

6.7.1 Does the Law provide for a built-in-system for democratic management of cooperatives? If so, how?

6.8 What is the legal of the Chief Executive/Managing Director in the board of directors/management committees in the cooperative laws? Is he a member of the board with right of voting?

6.9 Does the Law for full time/part time paid elected chairman or president cooperatives?

6.10 Does the Law provide two offices viz. i) Chairman, and ii) President? If so, what are the respective powers and responsibilities of each?

(Chairman to chair the meeting of the general body, board of directors and others. President to be full time paid officers of the society as in the USA).

6.11 Does the Law restrict the term of office for elected officers? If so, what is its impact?

6.12 What responsibility and powers does the law confer on national/regional bodies of cooperatives?

6.13 Does the Law provide for punishment to individual elected/appointed directors and paid employees in case of committing delinquency?

6.14 Does the law provide any condition for continuance or otherwise of membership in a cooperative in case a member does not make use of the services of the society of which he is a member and automatic revival of membership in case he resumes using of services.

6.15 Does the Law lay down any code of conduct for the office bearers or directors of the board? If so, please quote.

6.15.1 Does the Law direct the cooperatives to formulate a code of conduct for themselves? If so, have they adopted such a code? If so, please enclose a copy.

6.16 Does the Law lay down procedure for selection and appointment of employees?

6.16.1 Does the Law lay down procedure for selection/election of board of directors/elected office bearers?

6.17 Does the Law provide for accountability of individual paid officers, directors of the board and office-bearers of cooperatives? If so, how and to which extent?

7. CO-OPERATIVES, POLITICAL PARTIES & ELECTIONS

7.1 Does the Cooperatives involve themselves in national/local political elections or remain neutral? If yes, do they support any particular party or individual candidate and how,

- financially
- by providing facilities like transport, telephone, stationery, employees etc.
- by asking the members to vote for the party/candidate?
- Give detailed note

7.2 Does the cooperative find place in election manifesto of political parties? If yes, please give some details.

7.3 Does any party in power ever use cooperatives to get political benefits by way of:

- writing off loans
- nomination of non-officials on board of directors
- superseding the elected boards
- state aid and support
- personal considerations
- exercise of discretionary powers in exempting individual cooperatives and individual cooperators from any provision of the Act.
- legal restriction
- others

7.4 Does the Law prohibit politicisation of the cooperatives? If so, how?

8. EDUCATION AND TRAINING

8.1 What is the role of the Government in Co-operative Education and Training?

8.2 What is the structure of cooperative education and training?

9. ROLE OF THE CENTRAL BANK OF THE COUNTRY

9.9 What role does the Central Bank of the country play in the development, functioning and financing of cooperatives?

10. PROPER ROLE OF GOVERNMENT

10.1 What ought to be the proper role of government? Please identify.

- formulation of national policy in consultation with cooperatives
- creation/building of environment for cooperatives to play their full role
- assist building of a self-reliant strong cooperative sector to supplement the public and private sectors
- enactment of progressive cooperative Law in conformity with cooperative principles
- assisting cooperatives to generate and build their own resources
- assisting cooperatives to build their own management personnel
- promotion of cooperative values/spirit
- encouraging development of dedicated cooperatives leadership from within the movement
- strengthening of cooperatives as a system establishing integrated inter cooperative linkages
- promotion of democratic participation of members in the decision making
- supporting cooperative education and training
- strengthening power structure within the cooperative framework (transfer of power/responsibility from government to cooperatives)
- de-officialisation of cooperatives
- de-politicisation of cooperatives
- building of strong self-reliant apex cooperative organisations

11. PROTECTION OF COOPERATIVE CHARACTER/VALUES

11.1 What mechanism, if any, has been evolved to protect, preserve and promote the basic cooperative character of cooperatives? Please identify.

- machinery provided in Law
- National body jointly constituted by government and cooperatives
- legal courts
- other

11.2 Are the decisions of the above bodies binding?

11.3 In case of deviation from the Cooperative Principles by the government or the cooperatives, what arrangement exists to resolve it?

11.3.1 In case there is no arrangement at present, is there a need for evolving/building such an arrangement at national and international levels? If so, what may be the possible alternatives?

12. Are there some other parastatal institutions registered outside the Cooperative Act, which play an important role in promotion and strengthening of cooperation? If so, please give details.