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A Mission to South Pacific on Consumer Co-operatives

Report
of the
Study conducted
By

W U Herath
&
Pradit Machinda



Regional Office for Asia and the Pacific
New Delhi, India

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A Study Mission to South Pacific on Consumer Co-operatives

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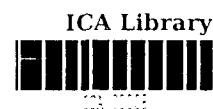
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While appreciating the warm friendship and hospitality shown by all co-operators in many co-operatives in Fiji, Tonga, Vanuatu, Solomon Islands and Papua New Guinea, we feel that we should place on record the services of some friends who made special efforts to see that the mission succeeded.

Mr. A.P. Sharma coordinated the mission to Fiji and other neighbouring islands. Mr. Simone Naiduki accompanied us from the arrival in Suva to the last day in Fiji and also gave us an insight into the Fijian culture and socio-economic conditions. He also corresponded with Tonga, Vanuatu and Solomon islands. Mr. Abraham Valleno coordinated our visit to Vanuatu and accompanied us throughout while providing all information. Mr. Tanga took care of us in Tonga during our short visit. Mr. Stanis Law S. Tao coordinated our visits to PNG. Mr. Abraham Valleno accompanied us during our visits in Solomon Islands and provided all information. We thank them for their kindness and the vast information supplied.

Many other officers in these countries provided details of the co-operative movements and individual co-operatives we visited. The co-operative leaders, members and staff members of co-operatives were kind enough to supply in-depth knowledge about their co-operatives. We place on record our appreciation for the assistance.

KEY

CRCS (DCS)	Chief Registrar of Co-operative Societies (Director of Co-operative Societies)
ARCS (DDCS)	Assistant Registrar of Co-operative Societies (Deputy Director of Co-operative Societies)
PLO (C)	Principal Commercial Officer (Co-ops)
CO (C)	Commercial Officer (Co-ops)
ACO (C)	Assistant Commercial Officer (Co-ops)
CA I (C)	Commercial Assistant Officer (Co-ops) L4

PREFACE

South Pacific islands remained an unexplored sub-region of the ICA Regional Office for a long time. Australia came in and out of ICA fold several times and the status of their co-operative movement was known.

The mission to South Pacific undertaken by us with the sponsorship of the Japanese Consumers Co-operative Union (JCCU) is the first attempt to review the co-operative development in South Pacific with special emphasis on consumer co-operatives. As these co-operative movements are still not mature enough to have developed single sub-sectors, it is difficult to demarcate boundaries among different types. The problems as well as strengths are more or less common to all sub-sectors, irrespective of being consumer, marketing or credit co-operatives.

We had limited time to spend in these islands, except in the case of Fiji, and also had logistic problems. In the case of Tonga, Vanuatu, Solomon Islands and Papua New Guinea, we cannot say that we have done justice. Fiji needed more concentration, not only due to its membership with the ICA, but also the central economic importance in the South Pacific. Fiji has emerged the economic and political power in Micronesian, Polynesians and Melanesian territories.

However, we have tried our best to collect as much information as possible and to meet many persons at different levels from average members to highest levels of executives and politicians possible, in order to obtain a birds' eye view of the region. Responses to our call were tremendous.

We could see untapped potential for co-operatives in these countries which can be developed on the basis of their traditions of 'DUAVATA' (working together). They also maintain much emphasized human values as in co-operatives within their communities. Mutual help, mutual respect and autonomy are the common values these communities cherish. We also see the advent of commercialization in the Pacific due to imposed open economic systems on them. Before it is too late, with proper training on entrepreneurship with a human face, these communities will be able to become more strong and rich in their co-operative tradition.

The remarks made in the report are our own observations. We tried to confirm the findings with facts and figures, but had to go by our observations at the time of many interviews undertaken during the visit. The frankness and the openness we have experienced made these studies worthwhile and useful for the future.

The Conclusions arrived at and the suggestions made are the beginning of a process to help these young co-operative movements to grow and gain strength. They do not serve as ultimate formulae for all the problems. They need to be further studied and concrete actions formulated.

We acknowledge the contributions made by numerous people from average members to co-operative leaders, officials and politicians. The ideas given here have been shaped by them and not only by us.

We hope that this report may lead to further action to support South-Pacific Co-operative Movements.

Feb. 13, 1995
New Delhi

Upali Herath
Pradit Machima

STUDY MISSION TO SOUTH PACIFIC ON CONSUMER CO-OPERATIVES

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EXECUTIVE SUMMARY

1. SOUTH-PACIFIC DEVELOPMENT ENVIRONMENT

The Study Mission concentrated its studies on few South Pacific islands - namely Fiji, Tonga, Solomon Islands, Vanuatu and Papua New Guinea, although four others such as western Samoa, New Caledonia, Federated States of Micronesia and Tuvalu would have been interesting. However, the countries having some form of identified co-operative movements have all been covered.

By and large, co-operative movements in South Pacific have been established, influenced by British Co-operative system. All the islands covered by the study have been colonies of British Empire during some time or the other. Therefore, one could see the uniformity in legislation and structure of the co-operative administration.

All these islands became independent during the last half of this century, thus becoming new countries. One of the common characteristics of these countries is the adoption of Westminster parliamentary system of government. Solomon Islands, Papua New Guinea and Tonga are members of the Commonwealth, whereas Fiji has been a member before the coup-de-tat in 1989.

These islands are inhabited by 2 main islanders races, Melanesians and Polynesians. In addition, Fiji has a sizable ethnic Indian community.

The biggest island nation is Papua New Guinea but Fiji records the highest status in social development.

These countries have similar patten of dual economy:

- i. Economy based on subsistence farming in rural areas,
- ii. Economy based on expatriate capital in industries and services.

Except in the case of Tonga, where service industry is more developed to the extent of 19% of the national share, others would take at least another decade to develop consumerism. In many of these countries, consumer services mainly remain in the hands of expatriate companies from Australia and New Zealand and few local co-operatives.

Many of these islands depend on foreign aid for infrastructure and social development - specially from the countries dominating their economies.

Many islands such as PNG or Solomon Island are loosing their natural resources due to commercial exploitation. Except in the case of PNG, other countries have shown growing economic problems. This has been the result of withdrawal of investment on agriculture by developed countries and the transition from colonial system to new inward looking economic policies. Vanuatu is an exception.

The export commodities of Pacific islands are basically primary agricultural products. The sectoral share of GDP in percentages is as follows:

<i>Country</i>	<i>Agriculture (1993)</i>	<i>Industry (1993)</i>	<i>Services (1993)</i>
Fiji	20.8	19.5	59.7
PNG	26.4	28.0	45.6
Solomon Island	52.5	10.0	37.4
Tonga	46.1	12.6	41.3

(Source: ADB)

The industries in PNG are mainly in geological products and timber. Tourism and port services have bigger share in the service sector.

There are untapped natural resources available in PNG, Vanautu, Solomon islands and Fiji. Vast agricultural land is yet to be developed in Fiji, Vanautu, PNG and Solomon islands.

Rural people in South Pacific countries have been integrated into cohesive villages or tribes who are self-reliant in their basic needs. They show the commercial culture. Therefore, entrepreneurship mainly remain with expatriates and their urban local counterparts.

There is a gradual change in the social structure taking place due to accelerated open economic policies. It is expected that newly formed APEC organization will have tremendous influences in the Pacific.

2. CO-OPERATIVE MOVEMENTS IN THE SOUTH PACIFIC

As mentioned before, new form of co-operatives were introduced by colonial administration during the 20th century. All the countries have co-operative legislation and a separate Registrar.

Development of sectoral co-operatives is uneven. By and large, in terms of totality, the co-operative movements are some what weaker in all the countries. There are few single co-operative organizations such as Tonga Co-operative Federation, TAFEA Co-operative Association in Vanuatu and cane farmers co-operatives in Fiji who provide success stories.

The common types of co-operatives in these countries are:

- Agricultural production and marketing,
- Consumer,
- Thrift and credit,
- Land development,
- Fisheries,
- Handicraft.

Out of these, consumer co-operatives are widely spread and comparatively strong.

The peculiar case is PNG where the government has taken action to dissolve all co-operative organizations. The Small Business Development Corporation (SBDC) which emerged in 1991 as a para-statal body promote co-operatives through National Business Association (NBA) an NGO.

The common features in the current co-operative movements in the Pacific islands are:

- Clear majority of co-operative members belonging to rural and low income groups.
- Majority of co-operatives are organized and managed by native communities,
- Consumer co-operative movements are more stronger than other types of co-operatives,
- Thrift and credit co-operatives or agricultural co-operatives are not so popular as consumer co-operatives,
- Whatever produced by co-operatives are sold as primary products. These countries do not have technology to undertake processing and value addition to products,
- Except in Tonga, the consumer co-operatives depend on the private importers and wholesalers,
- In some countries, family shops have been taken under co-operative fold,
- The governments do not provide financial assistance to co-operatives and treat them as private companies,
- Normally co-operatives do not enjoy tax exemptions,
- The government's Co-operative Departments are more flexible and open to allow co-operatives to take their own decisions in business.
- Women are active in managing co-operatives. Gender equality is comparatively higher than Asia.

3. CURRENT ISSUES IN CO-OPERATIVES

The open market economies in South Pacific are growing and business has become more competitive. In order to replace the expatriate individual traders operated during pre-independent era, many multi-nationals and trans-national corporations are entering.

Consumer trade is already monopolised by expatriate companies such as Maurice Headstrom and few big importers. About 10 importers function in the entire South Pacific.

The co-operatives are confined to rural areas whereas urban centres are served by expatriate consumer companies. Therefore, co-operatives have lost the main consumer trade.

Majority of consumer co-operatives are too small to be viable in a competitive situation. While they hold monopoly in rural areas, voluntarism and under-paid part-time employment have kept the operational costs low.

Majority of consumer co-operatives except in the case of Tonga serve as retailers for private wholesalers in the absence of secondary or tertiary organizations for the co-operative sector.

The nature of business conducted by consumer co-operatives is more distribution oriented than retail trading organisations.

The administration of co-operatives done by the Department of Co-operatives confines to registration and liquidation, auditing and checking accounts. Development orientation is yet to be introduced.

Still the assets of co-operatives are sufficient to meet the liabilities but not for long, unless some remedial action is taken to improve the profitability.

Proper management accounting and operational systems for store management is yet to be introduced in majority of co-operatives. However, there are improved systems such as in Tonga Co-operative Federation based co-operatives existing, from which others could learn.

Incidence of pilferage, leakage and fraud is marginal in South Pacific countries which serve as a positive factor to retain whatever profitability they possess.

Generally the mark-ups are higher, as high as 20%, except in Tonga where it is about 12%. This phenomenon may change, when competition comes to villages soon.

Generally the co-operative staff is not trained properly. The only training institute in Fiji (Lami) cannot cope with the growing demand and the quality of training expected due to shortage of professionally competent manpower and other physical resources.

The training courses are not formulated on the basis of actual needs and not problem-oriented.

There is no career development scheme for the co-operative staff nor an acceptable compensation scheme. Therefore, the manpower available with co-operative is weak.

The Department staff in South Pacific countries are sound in the area of financial management and can be trained and utilised for better guidance for co-operatives. There are also examples of alternatives prevailing in the region as in the case of Business Management Services (BMS) in Vanuatu which is worth exploring.

4. IDEAS FOR THE FUTURE

A) *General*

It is worthwhile to study in-depth the potential of each South Pacific country in terms of resource utilisation, prospective agro-industries and service industries and the form of co-operatives.

Networking among South Pacific countries to share the technology, competent manpower, and trade information is more economical and an immediate possibility to strengthen the co-operatives.

Establishment of a Regional Co-operative Training Centre (or improve the existing training centre at Lami, Fiji) is very important to develop manpower resources to meet the emerging challenges of the market economy. Internal trade and international trade among South Pacific countries would strengthen consumer co-operatives

tremendously. Study the suitable forms of co-operative system which will be viable in order to replace the existing forms of co-operatives, in consultation with all sectors and facilitate the conversions.

The impact of liberalisation of markets and new economic alliances on co-operatives needs to be assessed. Creation of awareness on the emerging issues through national level and regional level fora will lead to more long-term strategic planning exercises.

Introduction of processing facilities for primary products such as coconut, coffee, root crops, etc. will lead to more viability in co-operatives and would result in further agro-based industrial by-products.

B) Fiji

a) Development Environment

- Review the present status of take over of Consumer Co-operative Federation by the National Trading Corporation and if not succeeded, seek the possibility of consumer co-operatives taking over.
- Pursue the proposed legislation and get it enacted.
- FCUL requires taking action to organize a review of present business performance of co-operatives.
- Arranging through the government to recruit prospective managers for the benefit of large primaries who are unable to recruit such people. The department could undertake the initial cost this recruitment until the co-operatives become strong with a time plan.
- Linking co-operative executives and leaders by the department of co-operatives with other government agencies who provide entrepreneurship training.
- The Department of Co-operatives to arrange a national review of consumer co-operatives and hold a seminar to prepare strategic plan for the future.
- Conduct an assessment of the co-operatives in Fiji and organize a seminar to identify future prospects for co-operatives in the emerging open market economy.
- FCUL to conduct a feasibility study to start consumer wholesale business in fast moving items.
- Prepare and execute capital mobilization programme for co-operatives.

b) Management of Co-operatives

- To organize a central purchase system in the form of joint buying for merchandise on behalf of co-operatives in order to cut down the higher purchase prices. This can be done by a loose alliance having an understanding among co-operatives. FCUL can coordinate this to have a small office.
- To organize secondary unions in each province to undertake wholesaling and deliveries to co-operatives as well as purchasing local produce for wholesale markets and exports.
- Enter into sugar cane farmers areas for the establishment of consumer co-operatives. At present, farmers are under the clutches of private traders who bind them to consumer loans.
- Introduce strategic planning for the consumer co-operatives with the active participation of members.
- Introduce improved store layouts, display methods and better sales promotion techniques.
- Introduce improved stock control systems, assortment policies and re-ordering systems.
- Introduce management indicators to guide the co-operatives.
- Identify a senior official from the Department to train on consumer development so that he/she could organize separate division.
- Introduce member participation and business participation in business decision making.
- Introduce member education programmes for their rights and responsibilities.
- Provide entrepreneurship training to co-operative leaders, members and staff members.
- Prepare and launch a co-operative leadership development programme.

- Introduce improved financial management systems.
- Provide insurance for fire, theft and natural calamities for all co-operatives.
- Stop credit sales or impose credit sales on deposits.
- Initiate a bilateral exchange programme within the Pacific and developed countries to exchange their experiences.
- Initiate intensive extension programmes in the rural areas to mobilise people to work with co-operatives, using the traditional DUAVATA approach.
- Launch Distance Education Programmes for the benefit of committee members and staff, who are unable to attend training programmes.

c) Internal Co-operation

- International support agencies to take steps to place a short-term consultant on consumer co-operatives to establish improved store management systems and provide training.
- Study the feasibility of launching a joint venture with a suitable secondary level co-operative or association of primary co-operatives to take over the Consumer Co-operative Federation, which is under liquidation now and set up import and wholesaling business.
- Place a short-term consultant to study the feasibility of introducing coconut-based processing industries and reviving coconut marketing function of consumer marketing co-operatives. In the meantime, a suitable Fijian leader could study coconut-based industries in coconut producing countries such as Sri Lanka, Philippines and Indonesia.
- Place a consultant at CTI, Lami to improve the curriculum development, training system and audio-visual aids in relation to consumer co-operatives.
- Set up a network to exchange co-operative leaders and executives among Pacific countries and more developed consumer co-operative movements in Asia.
- To seek the possibility of recruiting a volunteer from Japan to help consumer co-operatives to improve their system, who will liaise with the ICA ROAP for further support.
- The ICA ROAP should continue to facilitate the strengthening and collaboration among Pacific countries and serve as a link between the Pacific and Asia.

C) Tonga

- Closer trade relations between FIMCO and TCF would strengthen the consumer and producer co-operatives, while keeping the identity as separate business organizations.
- Consumer market in Tonga has become a seller's market. A proper survey on consumer needs of members and consumer education would create a buyers' market. Co-operatives should help members to manage their budget effectively.
- Introduction of self-service system would strengthen the customer relations and sales turnover tremendously, if the present practices are changed.
- Diversification of members' services is another way of business expansion.
- Increase of equity capital would increase the stocks and their turnover. As the current value of a share is only T\$5, there is enough room to increase it.
- Training of staff on customer/member relations is essential when the current situation of higher turnover from non-members is considered. Non-members are normally a floating customer population.
- Training overseas for managers is another requirement for future.
- Improvement of store appearance in cleanliness is a common need to improve the current store image.

D) Vanuatu

Vanuatu Co-operative Federation will be a vital link for primary co-operatives to receive their supplies. The merchandise of co-operative consists of about 90% imported goods, hence the situation is vulnerable. As at present, the import business is completely at the hands of private companies. VCF could also retain the export business as done through private agents at present.

Operating of the Training Centre is important to revive the training facilities. Small co-operatives are unable to send their managers to Fiji nor can they hire outside trainers.

Strengthening of regional co-operation among Regional Associations would provide a forum to strengthen the restructured VCF in the future. They could engage in joint trade and at least at present could operate an office in Portville to procure supplies jointly for the members.

BMS is required to be strengthened in order to expand their management advisory services. In the absence of a training system, BMS is the only place the co-operatives could receive guidance for better management systems.

Processing of local produce and animal products is another area which needs attention. TAFEA is now engaged in this activity in a limited way with agricultural primary co-operatives. They could float a secondary or tertiary organization to undertake such an activity with the support of Regional Associations.

Secondary level processing co-operatives could bid to take over abandoned commercial plantations before they are ruined, possibly with joint ventures with developed co-operative movements elsewhere.

There is a potential market for these products even with the Pacific Region as rich countries such as Australia and New Zealand do not produce such items due to their climatic conditions. As an example, with technical know how on coconut by-products, many industries can be introduced.

Exchange of expertise among Pacific Islands will help Vanuatu to a greater extent. In the case of consumer co-operatives, exchange with Tonga is a good possibility.

E) Solomon Islands

Solomon Islands Consumer Co-operative Society could serve as a best option to import and supply of goods to primary co-operatives, provided its liquidity is increased. More equity capital is required, part of which can be collected from better functioning co-operatives.

At least few department staff members should be trained in modern store management approaches, financial management and member relations activities. They could take initiative to introduce better management systems.

Review of co-operative legislation is essential, although it does not threaten the co-operatives at present, due to the understanding of the department staff.

Purchase and marketing of local consumer products on consignment basis is another way of expanding business for consumer co-operatives.

The type of co-operatives that are needed for the emerging economy is an area for consideration. For an example, as the size of consumer co-operatives are very small, they could be converted into multi-purpose co-operatives, so that there is a possibility of improving the turnover and the viability.

ICA ROAP STUDY MISSION TO SOUTH PACIFIC ISLANDS

REPORT

1. BACKGROUND

The Chairman of the Fiji Co-operative Union Ltd. (FCUL) made a request to the ICA Regional Office for Asia and the Pacific in April, 1993 for technical assistance to Fijian Consumer Co-operative Movement. The request was subsequently forwarded to the Japanese Consumers' Co-operative Union for consideration. The objectives of the request for assistance as stated by the FCUL were as follows:

- i. To identify appropriate strategies for consolidating activities of primary and secondary co-operatives,
- ii. To evolve a strategy for acceleration of the promotion of agricultural production and marketing co-operative ventures in close co-operation with the Department of Agriculture and the National Trading Corporation Ltd.
- iii. To suggest ways and means of promoting savings and family budget in rural communities.

The JCCU agreed to study the request in order to see the possibility of assisting consumer co-operatives in the future. The task was entrusted to ICA ROAP consultants - Messrs. W.U. Herath, Advisor-HRD and Pradit Machima, Advisor Consumer Co-operative Development.

Later, the scope of the mission was extended to Tonga, Vanuatu, Solomon Islands and Papua New Guinea.

Although the study was scheduled for February, 1994, it had to be postponed due to the general parliamentary elections held in Fiji at that time. Therefore, the study was undertaken in May/June, 1994.

The FCUL and the Department of Co-operatives made all arrangements in Fiji and other Pacific countries for the study and were the co-hosts.

In the meantime, the JCCU showed an interest in supporting a Pacific sub-regional programme. The idea is to see the possibility of locating a Pacific country to be utilised as a sub-regional location for consumer training activities and as a link to Pacific. This has come up for consideration due to the difficulties in communication with single Pacific islands and the size of the countries being small. It would be economical to have proper facilities in one location where the training and development support could be centralized and channelled effectively.

2. OBJECTIVES OF THE MISSION AND THE TERMS OF REFERENCE

Since the mission team arrived in Fiji, some of the recent developments have been noticed. Firstly, the new budget for 1994 accelerates the deregulation of state controlled activities including trade and introduced new measures for structural adjustment programmes. Secondly, there had been a project proposal developed by the ILO to cover co-operative legislation, strengthening of co-operative training institute and strengthening of FCUL to be renamed as the National Co-operative Federation (NCF). It is proposed to transfer some of the Registrar's functions on to the NCF (specially audit and training).

Therefore, the former Terms of Reference which contained the objectives and focus of the mission had to be revised. (See annex 1 for former TOR).

As indicated earlier, the concept of Pacific collaboration came to the picture. In the circumstances, the objectives of the study has been modified as follows:

- i. To identify appropriate strategies for consolidating activities of primary and secondary level co-operatives.
- ii. To evolve a strategy for performance efficiency of consumer and marketing co-operatives to meet the challenges of the emerging market economy.
- iii. To study and scrutinize the feasibility of Pacific sub-regional co-operative collaboration in consumer/marketing based training, inter-lending and inter-trading.

3. METHODOLOGY AND THE PROGRAMME

When we scrutinize the Terms Of Reference of the assignment given to us, the outcome expected needed an in-depth study of the co-operatives and their relationships with each other as well as with the state machinery had to be undertaken at least in the case of Fiji. The possible integrated sub-project or programme for South-Pacific regions as envisaged by JCCU necessitated an extensive study of the conditions of co-operatives, covering the countries where there are visible co-operative efforts and networks. The programme covered Fiji, Tonga, Vanuatu, Solomon Islands and Papua New Guinea within the resources made available.

In the case of a sample of co-operatives was selected to cover the study from several dimensions:

- Rural co-operatives
- Semi-urban co-operatives
- Urban co-operatives.

On the other hand, the sample was selected which influenced the in-depth study extensively.

Another consideration was the target groups (members). The sample included men only, mixed and women only co-operatives.

In regard to other Pacific countries covered such an intensive and extensive studies could not be undertaken due to obvious reasons. However, the studies made focused on the potentiality for co-operative development and the possible areas of sub-regional consolidation and collaboration.

The annexed programme would provide detailed information on the schedule.

The meetings were arranged in such a way that macro-level promotional agencies - government as well as co-operatives - and micro level primary co-operatives should be covered. We were able to meet government policy makers, government officers dealing with education and supervision, co-operative policy makers, committee members, staff members and ordinary members. A complete list of persons could not be prepared due to the large number of individuals involved. At times the discussions were conducted in large village gatherings.

It may be necessary to mention about the technical procedures and methods followed for the study.

Firstly, the appraisal needed premises on the ideal nature of co-operatives against which the appraisal had to be undertaken. This is needed to explain why we have called some of the so-called co-operatives prevailing in these countries as pre-cooperatives or para-co-operatives.

We consider that following characteristics would distinguish genuine co-operatives from other types of organizations as indicated by Dulfar (FAO)

- a. The co-operative is an association or grouping of individuals, united by at least common interest,
- b. The members of the co-operative group want to attain objectives through joint action and mutual support to improve their economic situation,
- c. For that purpose, they make use of a jointly established or maintained economic operating unit,
- d. This unit's output of services is related to the economic needs of the member business or units.

In the absence of a national co-operative development plan, corporate plans or annual plans of Fiji Co-operatives, we had to evaluate them against the nature of the organizations and the past and present programme in terms of business and democratic management as co-operatives. For this purpose, we sent in advance a questionnaire on which the data was collected (Annex 2). However, some of the data could not be obtained due to lack of information. The records maintained by the Directorate of Co-operatives was, immensely helpful for the analysis. We tried to verify the recorded information while on field studies, which did not record any substantial changes.

In order to foresee the future potential and the status of co-operatives, it was necessary to see the socio-economic environment affecting co-operatives and the current government policies on co-operatives and the economy. We gathered considerable amount of information which was helpful in understanding the history, social tradition and the current situation affecting co-operatives.

The Pacific islands are still greatly influenced by strong traditional social systems. The major indigenous population is hardly affected by the artificially created import economy with the initiative of colonial regimes. Therefore, the current development of the co-operative movements need to be considered against the dual economy (subsistence and market) and the traditional societies. Hence the socio-economic environment has been dealt with in detail in order to appreciate the problems of co-operatives.

In searching an appropriate model for the evaluation of co-operatives in the Pacific countries, it was found that Goran Hyden's concept of co-operative ladder is some what useful though it seemed simple. However, it covers all aspects of a co-operative institution and provides a visual presentation which can be explained easily. Wherever necessary, some elements of Dulfer's approach have been followed and incorporated specially in the case of the following:

- Operational efficiency,
- Development efficiency,
- Member-oriented efficiency.

In dealing with the appraisal of co-operatives, the mission had encountered some constraints; limited time duration, insufficient data, specially at the grassroots level, interviewing problems due to language difficulties. Specially in the case of attitudes of members towards their co-operatives, the study lacks sufficient information. This aspect has been attempted to be covered through insufficient samples and informal and casual information gathering.

The scope of the in-depth evaluation has been confined to Fiji only as detailed in the terms of reference. The situation of other countries visited has been considered and appraised in the light of the proposed Pacific sub-regional collaboration. Therefore, the aspects that are necessary for such an arrangement have been dealt with while providing general observations on the co-operatives and their socio-economic environments.

4. FIJI

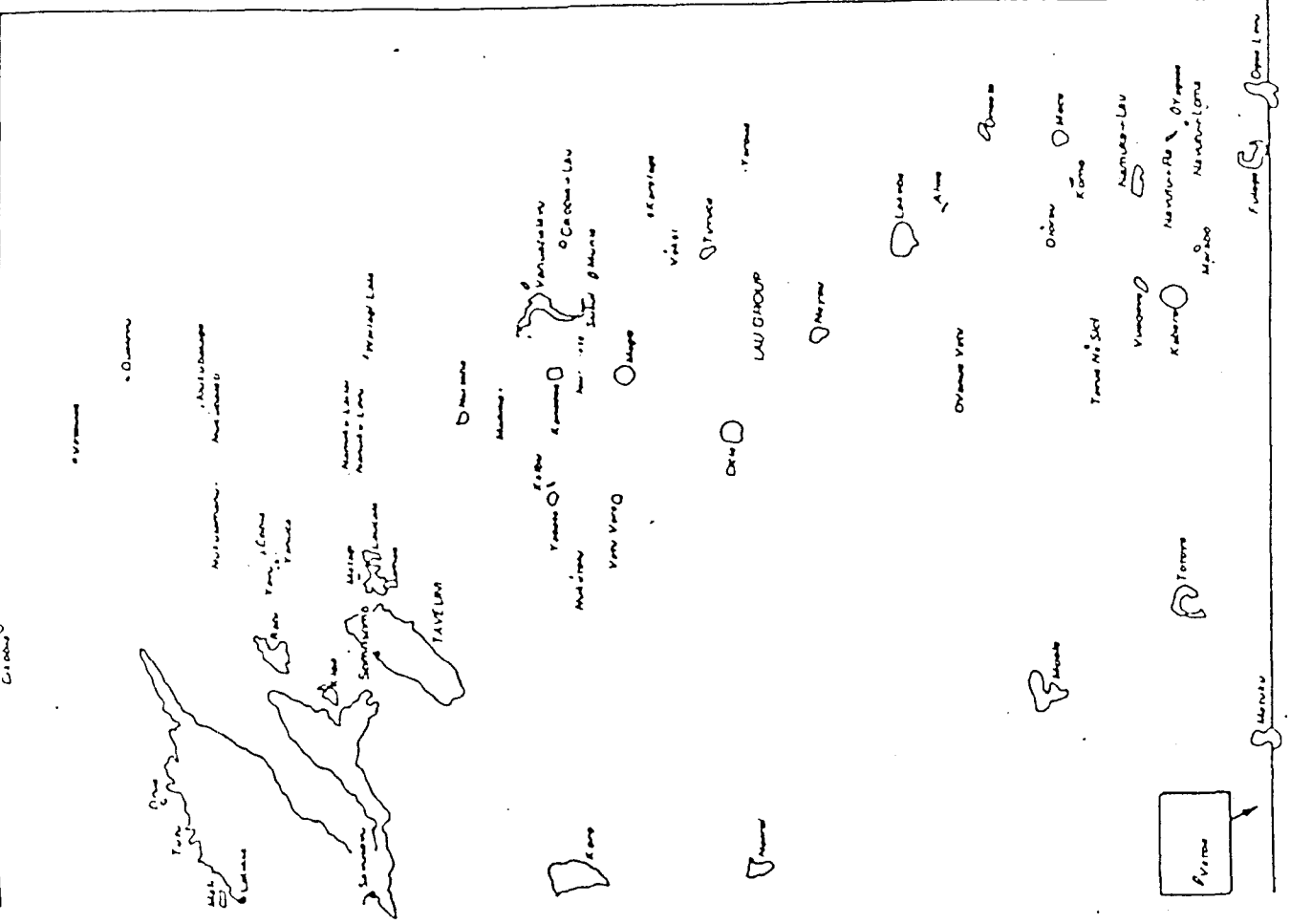
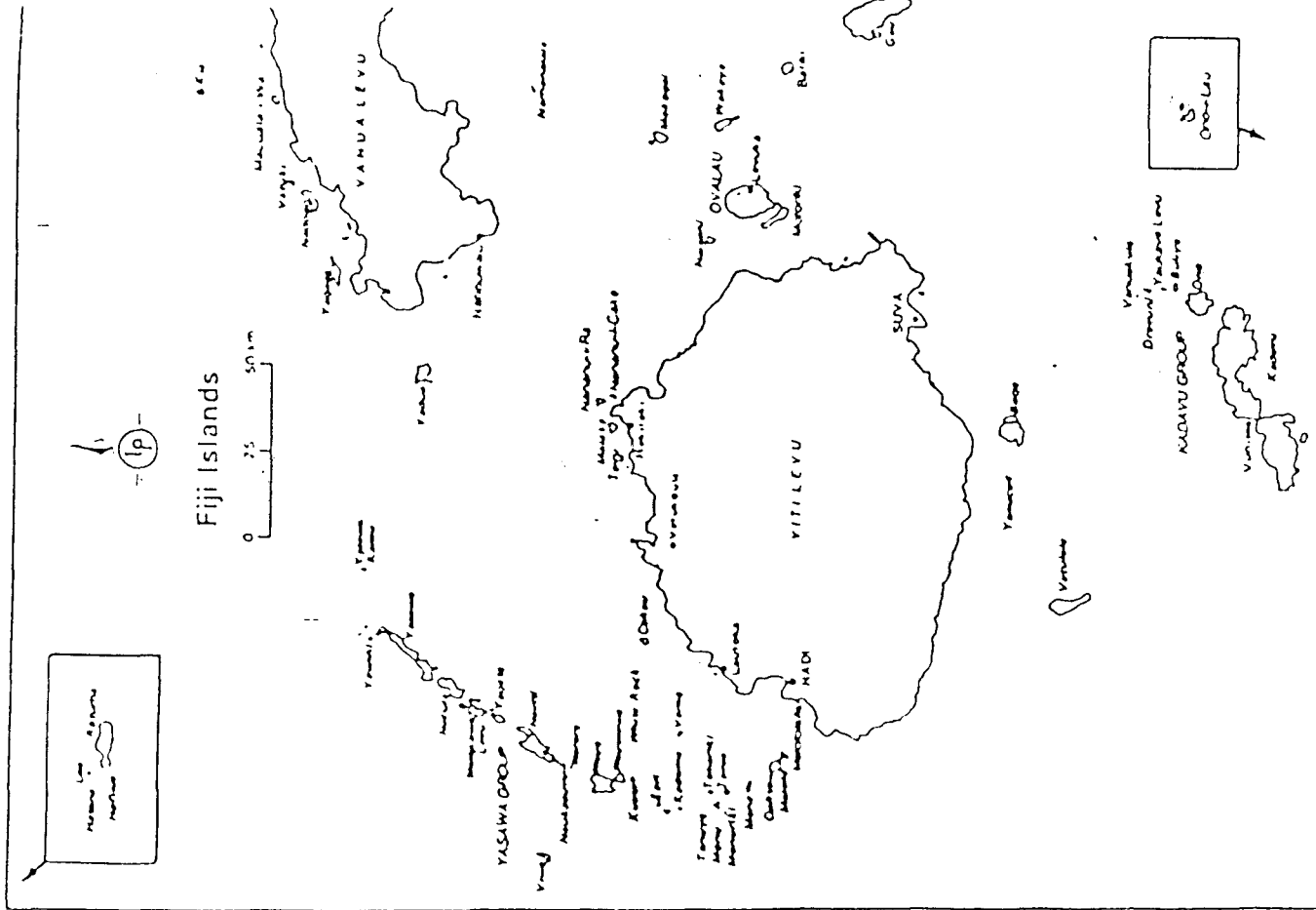
4.1 General Information

Location	: Located between latitudes 15 and 22 degrees south of the equator and between meridians of longitude of 177 degrees west and 175 degrees east of the meridian of Greenwich.
Topography	: Archipelago consisting of chain of large volcanic islands numbering 300.
The area	: Approx. 709666 sq. KMs. of which 97% is water.
Climate	: Tropical maritime.
Temperature	: Varies between 18° to 31° C.
Population	: 785,000, consisting of Indians 46.2%, Fijians 49.9%, half-castes 1.7%, Europeans 0.7%, Rotumans 1.2%, Chinese 0.7% and other Pacific islanders 1%.
Religion	: Christians (Methodist, Anglican, Catholic, Baptist, etc.), Hindus, Sikhs and Fijians.
Language	: Fijian, Hindi and English.
Literacy	: 85.5%
Life expectancy	: 71 years
Population increase	: 3%
GDP per capita	: F\$1108
Inflation rate	: 8%
Labour force	: 34% of the population out of which 55% of this, working age above 15 years.
Self-employment	: 33% private sector : 26%, public sector : 16%
Unemployment	: 7.6%
Infant mortality	: 24 per 1000 live births
HD Index	: 0.787
HDI ranking out of 123 countries	: 59
Country classification under UNDP	: Medium Human Development.
Political system	: Westminster Parliamentary system.
Economic policy	: Open market economy.
Main agricultural products	: Sugar cane, rice, copra, ginger.
Main industrial products	: Sugar, timber, gold, fish.
Main exports	: Sugar, gold, fish, timber, coconut oil.

4.2 Socio-Economic Environment Issues that affect Co-operatives

Fiji follows a dual economic system. On one hand, majority of ethnic Fijians live in a subsistence agricultural economy. The expatriate community and majority of Fijians of Indian origin survive in an open economic system with market competition. The backwardness of rural areas in educational facilities and vocational training and their closeness as traditional collective communities affect their integration into the accelerating market economy.

One of the major gains for the market economy oriented policies was the current government party (Alliance party) along with its allies gaining clear majority during March, 1994 elections. The previously elected government by the same party was defeated at the budget voting in December, 1993. However, some of the critical economists maintain that the budget presented in April 1994 was more or less the same as the defeated



one. The new budget was carried through in the new parliament. Therefore, it is realistic to say that the current government would be stable enough to go through the next 3-year period.

The main features as specified by the Finance Minister on 06 April, 1994 in his budget speech clearly shows the accelerated attempt to achieve more open economy during the next few years:

- Deregulation of the economy,
- Restraint in the growth of government expenditure,
- To ensure availability of resources for growth in the private sector,
- Reform of the system of direct and indirect taxation to minimise market distortions,
- Wage policies which recognizes the paramount importance of maintaining international competitiveness.

The deregulation has already been announced in dairy industry, rice industry and canned fish industry. Although the budget has been carried through, there is tension building up in the trade union sector on the proposed changes in labour laws. The existing labour laws strictly follow the labour charter of ILO. The opposition parties and the trade unions governing the labour in the much vital sugar cane sector has already announced opposition to any changes. The government declared that the government sector employees do not fall within the ILO convention, as they are serving the general public who are their de facto employers. Anyway, the changes are still to come.

One of the other major shifts is the government's submission to GATT agreement. By doing this, the government expects to draw support from the countries within the agreement, specially from the European Community, who support Fiji in many business and public welfare programmes. The government expects to enjoy MFN status from the powerful countries.

The governments expects to bring efficiency to its delivery of services by adopting following approaches:

- * Privatization of commercial operations,
- * Transformation of departmental activities into agency operations,
- * Making the government departments function more along the lines of private sector.

The rate of inflation as recorded by the government in 1993 was 4.9%. The deficit of the fiscal side is 4% of the GDP. However, the government expects a growth of GDP by 3.2% in 1994.

There is no significant change in foreign reserves, although there had been a slight decrease.

It appears that the government wants to follow a trickle down approach to address the poverty related issues by stating that the country should address the poverty related problems through raising the rate of growth, so increasing opportunities for income earning. In the process, the current budget reduces the fund for poverty targeting to F\$ 2 million from F\$ 7 million in 1992 and 1993.

However, future concerns emerging out of government policies would be on poverty and unemployment. It is expected that many unproductive workers from the government will be made redundant affecting many families. The opportunities for employment have to be created immediately for at least 13,000 youth joining the labour force every year. Proposed changes resulting in new investment may come late. As the drop out rate after primary school is very high and the labour laws strictly prohibit labour below 16 years, the teenage youth has become a problem in urban areas. Considering the population increase of 3% annually, the problem of unemployed youth may catch tremendous proportions unless a proper system of vocational training and self-employment is created until such time expected industries and the businesses absorb the idle labour force.

Condition of poverty has been a subject for controversy as the Fijian economy has a dual system with major part of community living with subsistence farming and extended and joint family based community living system. However, in absolute terms 15% of the total population has been declared as living under poverty line. (Ninth Dev. Plan).

To aggravate the problem of poverty, the income distribution has not reached to the expectation. A survey done in 1989 reveals that:

- The bottom 10% of income earners got about 1% of the total income
- The top 10% of income earners got about 50% of the total income
- The top 30% of income earners got a about 76% of the total income.

A recent revelation to say that 40% of the sugar cane farmers live below poverty line is an important factor in determining the current unestimated increased poverty.

It has been calculated that the annual overseas per capita borrowing during 1987-91 has been F\$50.05 , public debt per family for 1994 is F\$7597.05 (Chand 93). The total debt services as a percentage of revenue for 1994 is 23.07%.

The allocations for co-operative services has dropped over the years from F\$ 2.4 million in 1985 to F\$1.8 million in 1994. However, an increase has been shown from F\$1.4 million in 1991. Substantial increases have been shown for primary industries F\$ 21.1 million), Forests (F\$ 8.1 million), Land and minerals F\$ 17.8 million), Trade and Commerce F\$ 6.3 million) and Tourism (F\$ 6.4 million) for 1994.

The market product mix in Fiji is constituted of two major commodities, imported and locally grown agricultural commodities. The import substitution is minimum or non-existent in terms of people's domestic requirements. The export is mainly on primary products.

The market system has been centralized in major cities such as Suva, Nadi, Lautoka and Sigatoka. The farmers bring their products by an average of 3 times a week and sell to wholesalers or retail consumers if they can spend time in the central market. Sometimes, the vendors go to the villages and collect vegetables, grain and other items. The big supermarkets which sell vegetable, root crops and marine products have their own suppliers in the provinces who are not co-operatives. Wholesaling of consumer goods remain with the few Indian wholesalers and Australian Morris Hedstrom. They do the importing from various countries, mainly include Australia and New Zealand. There are no restrictions on import of any items including vegetables and fruits.

The co-operatives depend on the delivery vans from these wholesalers who come at least once a week. Very few co-operatives go to the provincial cities and check the prices of wholesalers and undertake an efficient buying. The main reason has been the small quantity and limited assortment.

By and large the market in Fiji is a sellers' market rather than a buyers' market in rural areas.

The land tenure in Fiji is complex. There are 3 types of lands: Crown land, Rotuman land, Native land and free holdings. The crown land belong to the government, whereas the native land belong to various village communities. The private holdings come from the colonial times from planters. These private land could be sold to locals as well as foreigners, as individual holdings whereas native lands are normally leased out. The crown lands too can be either sold to private parties or leased out to private parties. This system has been developed by the colonial administration and passed on to post-independent Fiji. The ethnic Indians who are basically sugar cane farmers receive long-term lease from native lands and crown lands which are now due for renewal in 1996. There is an anxiety building up in the Indian farmer community at present on this issue.

The village community can take decisions to lease out their native land on an assessed value. The lease money is used for community services and some portion of it is shared by the Fijian Village families concerned. This has resulted in construction of decent family houses in Fiji's ethnic villages which they cannot normally afford by subsistence farming and fishery.

The farming practices are based on the community self-help. As the land is common, there are no boundaries for the clusters of village houses. Whenever a new family is created through marriage, the new couple is permitted to construct a house in the residential area of the village on a land of their choice which is sanctioned by the village council. Each village has a village chief who is the social leader who safeguard the traditions and keep peace. The villages have their own code of conduct which is closely guarded. Although the judiciary is not built on the Fiji customs, the traditions are still maintained as village law.

The Fijian society is a closely knit community based system which has had an underlying principle of DUAVATA and VANUA. The meaning of DUAVATA is 'working together'. Although the concept has been

recently propagated by the Ministry of Fijian Affairs, it has been existing from the pre-colonial period. The concept of VANUA is the harmonious co-existence between the nature and the living beings. This has been stretched to cover the value of caring and sharing among human beings as well as nature. These core value systems of the Fijian society has shown a strong foundation for incorporating co-operatives as a way of life within the community. As an example, the community ownership of physical resources inclusive of land has been the ideal propagated by early co-operative ideologists as the ultimate. Fijians have shown the reality of such utopian ideal.

Villages and districts (TIKINAS) form the basic local government structure. At each level, there is a chief who is the head and a council of leaders. Each village respects the autonomy of the other village and always polite to seek permission to enter the village in the form of a ritual based ceremony centered around 'KAWA' or 'YAQUONA' root which is from a medicinal herb. Exchanging YAQUONA is the symbol of friendship and brotherhood. The VANUA make them detached and non-assertive people who are most humble to associate. Chiefs' powers grew with the colonialisation by British in order for them to have a centralized administration. Therefore the seniority among various levels of chiefs began to emerge. Even after the independence and adoption of Westminster system of government, the chiefs command a strong social leadership and could defeat a government at the election through their influence. Therefore, the government has incorporated the Council of Chiefs as an advisory body to the government.

Fiji is caught between two parallel social systems created by the colonial masters. On the one hand, an imported commercial society exists with modern money centred values. This society consisting of ethnic Indians, Chinese and Europeans, which virtually control the markets and the economy. The rigid land tenurial laws prevent them from becoming totally assimilated to the Fijian culture. However, this commercial culture is much in line with the global market economy. The Fijian traditions would undergo a tremendous future shock. As the young Fijians migrate from villages to major cities without proper education or vocational skills, the unemployment and criminality in urban areas tend to arise. The recent attempt to adopt a morality based rigid criminal laws by the Ministry of Fijian Affairs is a desperate attempt to prevent this trend threatening the Fijian society.

What features does the Fijian society possess which will support a co-operative system?

- Unlike many other traditional societies, Fijian village is a clearly demarcated homogenous group.
- The community based ownership is helpful in collective efforts. As at present many civic activities such as cleaning compounds, roads, schools, rivers, etc. are done communally.
- The people in the village come together for mutual help in supporting poor families.
- Sharing and caring are ideals still preserved in the villages.
- Many villages still adopt subsistence farming culture where money is secondary.
- As the village are closely knit communities, outside traders have a difficulty of penetrating to the villages to set up shops.

On the other hand, some of these characteristics pose a challenge to inculcate entrepreneurship among farmers and fishermen. They are vulnerable to be exploited by middlemen at present. Barter trade and the absence of a marketing network at the village or district levels are constraints for marketing and processing of products. As the country is scattered through hundreds of islands, transport seems to become difficult. However, two main islands of Viti Levu and Vanua Levu are better connected with communication and transport systems.

As the villages are fairly small in size (less than one hundred families), the viability factor of a consumer co-operative is affected. The added disadvantage is the low purchasing power of families. (The average per family rural income for a month is about F\$ 400-600).

4.3 Legal Environment of the Fijian Co-operatives

Fiji adopted a Westminster Parliamentary system to govern the country. The former traditional chiefs system still exists as a part of the government system through the National Council of Chiefs, which is an

advisory body to the government. Under the present system, the country is headed by a nominal head, the Governor General, and the executive head, the Prime Minister, who work through a cabinet of ministers. The house of representatives and a senate form two assemblies.

The existing criminal and civil laws were derived from the British judiciary system and adopt Roman-Dutch concept of law. However, the new Constitution has a race element of representation, which has become a controversy.

The present co-operative law is based on the Bombay Co-operative Act style legislation passed by the Parliament in 1947. At present, the subject is handled by the Ministry of Finance. Earlier, it was with the Ministry of Primary Industries.

The present Co-operative Societies Act formulated during colonial times has rigid and centralized provisions in administering co-operatives. There are many vetting procedures for registration of co-operatives. Registrar has absolute powers in registering, controlling and liquidating co-operatives, although the present Registrar adopts a more co-operative approach to guide the co-operatives.

There has been a positive development to change the obsolete and unco-operative provisions in the Act proposed by the present co-operative administration. A document called 'Draft of a National Co-operative Development Policy and Strategies' has proposed to delete provisions that give the Registrar powers to decide on Banking meeting and procedures and add co-operative principles as the governing criteria for co-operatives.

Government tax systems, both direct and indirect, do not exempt co-operatives from taxation, as they have a status of a company under the tax law. The labour legislation is the same as in the case of companies. The co-operatives do not have a separate labour legislation.

The government had a separate mention of co-operatives in the National Development Plan. However, the 1994 budget excludes co-operatives as a public sector sponsored agency. In addition, the government budget allocation for co-operatives has been reduced. This means the government does not have anything at stake in co-operatives and consider them as autonomous bodies.

This provides better opportunities for co-operatives to become independent and self-reliant organisations.

The co-operatives are registered, administered and liquidated by a registrar of co-operatives under the existing Act. The registrar is also designated as the Director of Co-operatives for the purpose of promotion and development of co-operatives. The concept and the functions of the registrar are similar to that of South Asia. The Department under him has the following main divisions:

- a) Finance, Administration and Information
- b) Training and extension.

The Department has 4 provinces, headed by senior co-operative officers; Northern, Eastern, Central and Western. They are again sub-divided into sub-registrars. (Please see organisation chart on the next page).

The total number of staff in the Department is 115. The officers dealing with administration of co-operatives are 82. Considering the number of co-operatives at present as 931 and also considering the distances and logistic problems, the department is understaffed. With the impending cuts in the budget, the situation would become more serious.

The Co-operative Training Institute at Lami comes under the Training and Extension division and is headed by a senior co-operative officer, who is designated as the Principal. He is transferable to other divisions. The Institute has 2 full time co-operative officers. Rest of the training staff is drawn from the field staff and other ministries.

The Department's objectives as specified in the National Co-operative Development Policies 1991-2000 is '*to encourage and facilitate the development of a national co-operative apex organisation that will eventually take over the present role of government in terms of promotion, establishment and development of co-operatives throughout the nation.*'

The Fiji Government has recently approved a proposal to a new Bill to provide more anatomy to co-operatives in the future. This bill would incorporate a Code of Conduct for elected office bearers and members of the Board.

A ten year Co-operative Development Policy has been adopted by the government which incorporates many recommendations of the Jakarta Ministers' Conference.

The Fiji government has started treating co-operative movement as a part of private sector already. Paul Manuelli, Hon. Finance Minister of Fiji declared, 'We view co-operatives as a part of the private sector, and we encourage them to operate in an independent and business like manner.' (During the Co-operative Ministers' Conference held in Colombo in July, 1994).

The government also envisages to transfer some of the department functions such as training and supervision of operations of the lower level of co-operative structure to the apex co-operative organizations.

4.4 Present Status of Co-operative Movement in Fiji

a) Back Ground

Fiji Co-operative movement has a long history, starting from 1947. Starting from Thrift and Credit Co-operatives, the co-operative movement got diversified to consumer, producer and marketing, fishing, dairying, and land development co-operatives. One time, the consumer/marketing co-operatives spread rapidly during the times of scarcities which federated into a consumer co-operative federation. The federation went into operational losses after the collapse of management in late 1980s and was de-registered in 1991. The Fiji Co-operative Union was organized in 1992. In 1992, the allocation in the government budget for co-operative promotion was substantial which declined again by 1994.

b. Current data on co-operatives

The breakdown of operating and non-operating societies as on June, 1993 is as follows:

Status	Central	Eastern	Northern	Western	Total
Operating Societies	161	109	113	202	585
Non-operating Societies	124	91	60	71	346
Total	285	200	173	273	931

The total number of co-operative societies by type is as follows:

Type	Central	Eastern	Northern	Western	Total
Consumer	138	37	11	68	254
Producer/Marketing	55	-	12	10	77
Consumer/Marketing	24	152	115	16	307
Dairy	9	-	-	-	9
Fishing	5	2	-	1	8
Grazing	1	-	5	10	16
Land Purchase & Housing	17	2	8	42	69
Thrift & Credit	6	-	21	121	148
Miscellaneous Goods	2	-	-	1	3
Miscellaneous Services	28	7	1	4	40
Total	285	200	173	273	931

In terms of profitability of various sectors, the picture as on June, 1993 is as follows:

<i>Sector</i>	<i>No. of Co-ops</i>	<i>Profitability (F\$)</i>
Thrift & Credit	121	Loss (4506.43)
Consumer	141	Loss (89,466.53)
Consumer/Marketing	165	Loss (177,730.41)
Marketing	18	Loss (366,159.76)
Dairy	4	Loss (323,612.00)
Fishing	1	No profit/No Loss (0)
Grazing	13	Loss (1310.84)
Land Purchase	23	Loss (72,607.56)
Miscellaneous Services	12	Loss (6,545.96)
Non-Thrift & Credit	395	Loss (1,126,269.62)

(Source: Department of Co-operatives)

Considering the number of non-operating co-operatives as 346, the losses accumulated have set off the profit made by other co-operatives. The heaviest loss per co-operative appears in the marketing sector.

Based on the balance sheets prepared for the year 1993, some of the indicators showing the strength of various sectors of the movement are as follows:

	Market- ing	Thrift & Credit	Cons.	Cons. Markt.	Dairy	Fishing	Grazing	Land Purchase	Non-Thrift/ & Credit	Misc. Services
Current Ratio	1.27	10.08	2.35	2.32	2.65	1.54	5.56	3.17	2.04	2.14
Return on funds	(-143.3%)	(-0.4%)	(-7.83%)	(-7.0%)	(-69.1%)	(0%)	(-0.7%)	(-2.4%)	(-12.2%)	(-0.9%)
Working Capital Turnover	4.3	0.5	6.7	5.8	1.1	5.7	0.2	0.3	5.18	3.0

(all number of Times)

The current ratio appears to be good, but when we consider the size of loans given shown as assets, the picture is alarming. In Fiji, practically all co-operatives provide credit facilities to members irrespective of the type. Even the uncollectible loans are carried from one balance sheet to the other without proper scrutiny or action.

Return on own funds is not at all satisfactory. The co-operatives are unable to meet the interest on members share capital.

Working capital turnover too is marginal.

As a total picture, it seems that the turnover achieved in co-operatives is not sufficient to pay the liabilities, hence co-operatives could become unattractive to people.

c. Sample study on co-operative

ICA study mission undertook a sample study on selected co-operatives on a stratified sample selected using following criteria:

- Concentration mainly on consumer, consumer marketing and marketing types of co-operatives as the JCCU has an emphasis on these co-operative.
- Few co-operatives each from larger islands.
- Co-operatives in urban, semi-urban and rural areas.

- Co-operatives which are strong and weak.
- Co-operatives which have majority of women members.

From the sample we have studied, we have got mainly semi-urban and rural co-operatives. The co-operatives are marginally located in large cities. Large cities (Suva, Nadi, Lautoka and Labasa) have a concentration of expatriate companies and local business houses to cater to urban dwellers. They are basically business families, professionals, public servants and expatriates. The co-operatives mainly cater to middle and low income groups.

Salary earners have promoted co-operatives and hold leadership positions more than the farmers:

d. Basic data on mixed co-operatives (1993)

Name of the Co-op	Type	Membership	F\$ Share capital	F\$ Annual turnover	F\$ Gross profit	F\$ N.Profit /loss	F\$ Assets (current)	F\$ Liability (Current)
Delainavesi	Consumer	126	10,263	126401	21519	12989	30681	1429
Vesitagitagi	Consumer/Marketing (M:73,F:8)	81	NA	46404	7587	2006	NA	NA
Nawaka	Consumer/Marketing (M:20, F:74)	94	3728	23818	2164	1228	9677	571
Nakucagina	Consumer	NA	1198	6680	1041	290	4133	1497
Veiqaravi	Consumer	30	25832	231768	37356	20261	40342	8899
Moala	Consumer	40	1594	48239	4223	1012	4906	2760
Dama/Nasau	Consumer/Marketing	45	6184	38465	6023	2060	11169	2161
Wainunu Farmers (Secondary)	Consumer/Marketing	8 villages & 2 socs.	15200	146604	15379	8579	22045	5915
Cane Farmers Co-op Savings & Loan Assocn.	Thrift & Credit	Ind.1499 Inst.NA	943273	328263	13234	160808	122106	246617

e. Basic Data on Women's Co-operatives (1993)

Yaori	Consumer	82	2872	50199	3114	(1347)	5739	1982
Raiwaqa	Consumer	135	9543	168693	20837	4897	19197	5497
Lauwaki	Consumer	93 (M:12, F:80) (Gr.1)	26716	96705	18130	7316	21356	3556
Nayawa	Consumer	28	3482	15425	2024	1418	2686	1675

Many of these co-operatives we visited show a profitability as a whole. The liquidity of the co-operatives is not yet affected. Even the loss-making co-operatives maintain comfortable current ratio.

However, they are experiencing a decline in annual turnover since 1991 and many of them have experienced escalating operational costs which compel them to either increase the margins or satisfy with lower net profit. Considering the members' keen interest shown in receiving at least a token dividend, the co-operatives maintain comparatively higher mark-up in their merchandise (16-20%).

By and large, the stock turns maintained by these co-operatives is less than 10 per year, which is very low.

The average size of a consumer co-operative remains very small having less than 100 members. This situation appears to be impossible to change as the villages are traditional and closely knit. The village in Fiji is an institution itself. It is self-sufficient, integrated and orderly with a chief. People live in the same compound occupying collectively owned native land. As the native land cannot be sold, outsiders some times lease out the land paying a considerable sum. This mainly is divided among the village community. Therefore, the villagers lead a fairly decent life with separate houses having all facilities. Average village family income is less than half of the national average (US\$1920).

Traditional agriculture and handicraft is used by rural committees to sustain their lives without much purchases. As the merchandise sold in the cities cater to expatriate and urban tastes, villagers do not show interest in buying them as their food and living patterns are different. This aspect has made the co-operatives to carry selected assortments. The annual average per member sales of these co-operatives are as low as F\$1093.17.

In comparison to working capital, the turnover is at a minimum.

In regard to women's co-operatives, the operational results do not show much of a difference. At least 2 co-operatives we visited have been salvaged by women volunteers. They have been abandoned by the previous committees who consisted of men. Even in the mixed co-operatives, women are active and take part in society work.

One could see that the operational costs of these co-operatives are very low. One of the reasons behind is the very low salaries paid to the employees. Salaries average per week is about F\$ 65. Many of the employees are on part-time basis. The employees are picked up from the villages themselves with few exceptional cases, where they hire competent managers. Another reason for lower operational costs is the dependence on delivery sales vans for the stocks. They visit villages about once a week and co-operatives simply buy from them.

High incidence of literacy (88.5%) make people respond to democratic process and accept leadership positions.

f. Fiji Co-operative Union (FCUL)

Fiji Co-operative Union has been organized under the Co-operative Societies Act and Rules. It came to present structure in 1989.

The finances are collected from the profits of co-operatives by the Registrar on behalf of the FCUL, which is a non-profit making apex organization and transferred to FCUL from time to time. Right now, the financial position of the FCUL is weak. Generally F\$ 50,000 is allocated to FCUL by the Registrar for operational costs.

The accounts of the FCUL is audited by the Auditor General of Fiji.

The primary objectives of the FCUL are:

- provide extension services to co-operatives in Fiji who are members of FCUL through material, etc.,
- provide documents and material for accounting and management in co-operatives,
- provide supplementary funding to education and training activities in the co-operative sector.

FCUL has acquired some residential property in Suva for its future establishment of the offices, etc. At present, the office is located at the Department Office. The Director of Co-operatives act as the General Manager of FCUL and the FCUL has one full time employee.

Since the liquidation of former Consumer Co-operative Federation, FCUL is the only apex organization which cover major sectors of co-operatives. Fiji Credit Co-operative Union League covers only the credit co-operative sector. As the national level co-operatives are weak in terms of financial strength and manpower, the primary co-operatives continue to get into difficulties for consolidating their strength and networking.

An ILO sponsored Bill proposes to set up a National Co-operative Federation to replace FCUL and to have wider focus on activities. It is suggested that the proposed Co-operative Tribunal and National Reserve Investment Trust Fund be managed by the Federation.

At present, FCUL need strength in the form of financial support and manpower in order to perform its role effectively.

g. Additional Remarks on individual co-operatives

1. Nayawa Co-operative

The Co-operative was started in 1980 and it has been closed since 1988 for 4 years. Women members have revived the co-operative in 1992 and the accumulated loss is being paid still.

The committee is very active. General meetings are held once in 4 months. There is only one male in the membership now.

The shop has about 50 items. Shop hours have been fixed from 6-8 a.m., 11 to 1.0 p.m. and 4.0 to 10.0 p.m. for the convenience of the members.

No annual plans or budgets are prepared. Basic accounts are kept but not up-to-date. The committee serves as volunteers.

The co-operative has one employee.

Gross profit is 13.12%. Net profit is 3.93%. Working capital is F\$1010. No bad stocks.

2. Kulukulu Co-operative

No sign board. The co-operative has 58 members. Potential is about 100.

The co-operative concentrates on consumer goods only.

The lay-out and the display methods are conventional and counter sales system adopted.

The store has sales of F\$300 per month, having one employee.

Dividend is paid on participation - 4 cents per F\$ 1 purchase. Interest on share is 5 cents on a F\$1 share.

There is Patel Grocery Store who is the competitor. He carries a better range of goods and also runs a collection agency for ANZ Bank. However, villagers patronise the co-operative, as it belongs to the village.

Female store keeper had her training on-the-job by the department officers. No institutional training.

No annual plans and budgets prepared.

3. Moala Co-operative

Started in 1961. Moala is a long-standing consumer co-operative. Being closer to Nadi town, the co-operative has a competition. Therefore, the merchandise is limited to convenient store items.

The co-operative has been functioning with limited funds. The membership is slightly high income group who have been mainly salary earners. Per capita income in the area is F\$400 per month. The Sales are about F\$100-120 per day.

The gross profit is 3.5% and net profit is 0.2%. The GP and the NP have been declined from 7.9% and 2.4% respectively. One of the reasons is the higher purchase price of commodities. Competition does not allow higher mark-ups. The stock is heavy and slow moving but no bad stocks.

The sales are counter-based. The layout and display techniques match national level of excellence. The store is kept clean.

The salaries are paid on commission basis (3 cents for a sale of F\$1).

The accounts are not kept properly. Difficult to get a person who knows accounting.

No annual plans or budgets and prepared. The villagers are not co-operative to change the location, which the committee is interested.

4. Lauwaki Women's Co-operative Society

Started in 1972 as a small shop in a house, the co-operative has its own shop now (since 1984).

The membership consists of fisher-women and sugar cane farmers. Monthly family income is about F\$300 and the sales per family is about F\$86. Membership is enlightened than many other co-operatives, who have contributed their dividend money to increase the share capital. They have also supported VANUA development, Somalia appeal and Church development.

The society faces competition from the nearby supermarket, but holds on to its position.

The store has a limited number of items. The drapery section is running at a loss, because the prices are higher. The gross profit is 9% and the net profit is 6%.

No bad stocks kept. Account keeping is average. No annual plans or budgets prepared. Store carries a higher stock. The cleanliness is good.

5. *Vesitagitagi Co-operative*

The co-operative was registered as a consumer marketing co-operative in 1970. It undertakes retailing of consumer goods and marketing copra and yaquona.

The turnover of the co-operative is declining from 1992. As a result, the gross profit has declined from 17.24 in 1992 to 16.35 in 1993. The net profit has declined from 5.57% in 1992 to 4.32% in 1993.

The Store Keeper is paid a commission on the basis of sales per day of F\$2.50 upto 500 and F\$3.00 for over F\$1000. The secretary and the treasurer are paid F\$30 per month.

Sale of copra has suffered due to competition from traders who buy raw husked coconuts who transport them to town.

The accounts are kept in the store better than others. Secretary has been trained by the training institute at Lami.

The co-operative follows counter sales system, carries consumer commodities ranging from foodstuff to textiles, petroleum products and refrigerated items.

Store is located in an area where there is fishing and coconut plantation is in abundance. Located along the main road, it has a potential for such items for marketing.

6. *Yaori Women's Co-operative*

Registered in 1972, the society collapsed after 2 years of operations. Thereafter, women members took it over and made it a women's co-operative with new fund raising.

The committee has revived the co-operative and increased the sales upto 64,453 in 1992, but got into difficulty when the store keeper ran away with considerable amount in 1993, due to which they made a loss. They cannot go into arbitration process as it is expensive. No arbitration is undertaken by Registrar. The co-operative keeps a stock range of about 300 items and also refrigerated items. The layout and the display of goods is average. Grouping of assortment is not that evident.

The co-operative does not have trained staff in accounting and store management. The secretary acts as the manager to cut down the cost, who is paid only F\$50 per week.

Store operates from 6.0 a.m. to 8.0 p.m. Average per capita income is about F\$96 per week. There is a potential for co-operative to expand the business, but unable to make it due to limited assortment and the proximity to main town.

7. *Raiwaqa Methodist Women's Co-operative*

Registered in 1989, Raiwaqa co-operative serves a semi-urban area near Suva. Being a consumer co-operative, it has about 300 items including bakery products. The members are salary earners who are low-cost housing settlers. There are about 1000 households in the area.

There is also an adjoining private shop competing with the co-operative.

The store keeper works on part-time and shift basis. The committee does not have trained manpower.

There are no bad stocks in the shop. The gross profit is in the range of 13% and the net profit is 0.6%. The co-operative has plans to organise a saving branch and a bakery branch.

8. *Dama/Nasau Co-operative*

One of the oldest consumer/marketing co-operatives, Dama/Nadau Co-operative was registered in 1969. The co-operative covers two villages of Dama and Nasau.

Many of the members are fishermen. Their family income is about F\$200 per month, but the co-operative sells only F\$72 worth of goods. There is scope for increase.

The co-operative competes with a private shop adjoining.

Consumer credit is given weekly. The maximum has been termed as F\$20. There are no bad debts upto now. The co-operative supplies have building materials on request.

The store keepers (2) have been trained by the Department on the job for one week's duration.

The committee meetings are held every month and the general meeting annually.

The procurement is done through delivery vans coming to area. Stock controls are not efficiently done.

Unlike other co-operatives, Dama/Nasau has kept increasing trend in gross margins from 16% in 1992 to 10% in 1990 and also net profits (1990- 3%; 1993-5%).

Membership is somewhat enlightened and when they receive dividends and interests, they have a habit of saving it in the bank.

However, the stock turnover rate is slow with 9 times a year, which is insufficient. In 1988, it was 20 times a year.

The store is not insured. The co-operative does not prepare annual plans or budgets based on demands.

9. *Wainunu Farmers' Co-operative*

Registered as a consumer marketing co-operative in 1993, Wainunu Co-operative is unique in character. It serves as a secondary co-operative union having individual members as well as institutional members. 2 co-operatives who are members of the co-operative send delegates along with other individual members. It serves 5 villages in the area.

The co-operative undertake wholesaling, retailing and sale of village produce.

Shareholding of the co-operative is by the villagers and by Tikina (village) fund.

The Department offers help in keeping books. Wholesale and retail transactions are kept separately.

The co-operative has achieved satisfactory results during the first year of operation, achieving a net profit margin of 6%. It has also prepared a budgetary forecast for 1994, which shows a net profit of 5.5%.

The co-operative, however, depend on the delivery vans for their stocks. Marketing of agricultural produce too is undertaken.

As there are only 2 full-time staff members, the co-operative has kept wages at 2.24% of sales. The manager is a trained officer.

This co-operative can be a model for secondary level consumer/marketing (or multi-purpose) co-operative in Fiji, except the fact that Tikina fund contribution cannot be expected from all areas.

10. *Vei Qaravi Co-operative Society*

Registered in 1970, Veiqaravi co-operative represents a unique one. The membership is closed to 30 only. The co-operative does not entertain new members for fear of corruption as happened in late seventies when the co-operative went bankrupt. It was burnt down eventually. The store keeper took over the co-operative, with the promise that no interference by the committee on the operations. Since then, the situation has improved. Sales rose from 160136 in 1990 to 231768 in 1993. Net profit increased from 15982 in 1990 to 20261 in 1993. The

co-operative is confined to an immigrant community (Nabua settlers) who help each other. Membership is a well integrated community (Lau Clan).

Store management of the co-operative provides a good model. No slow moving stocks or bad stocks. However, the manager does stock control by experience. Average stock turns is about 1.5 per month which is comparatively much better.

Store opens from 6.0 a.m. to 8.0 p.m. The manager has one assistant and supported by the Secretary of the co-operative.

Store keeper keeps a note on consumer demands, which he responds immediately by indenting.

The store keeper has no formal training in store management and had only 7 years of schooling. Therefore, he confines to the business which he has gathered from experience. Honesty and commitment have played as key factors of success.

However, the sales consist of 20% to members and 80% to non-members. Dividends are paid to members.

Manager receives F\$120 per week which can be the highest for store keepers in Fiji. He further receives bonus.

Store is kept clean and well laid out with grouping of assortment. It is located in a society owned spacious building which is better constructed for a shop than many others.

Non-members who shop pressurise the co-operative to admit them. It is a matter of time the committee heed to such pressures. Otherwise, the resistance may result in community clashes.

11. Nawaka Co-operative

This society has been registered as a consumer co-operative in 1977 and got defunct by late eighties. The women members got together and revived it in 1990.

The co-operative has a membership of 95 (20 males and 74 females).

The co-operative is running at a profit, although it is declining due to competition from 6 private shops present in the area. The members patronise the co-operative and are active in the meetings. The co-operative does not utilise the working capital to the fullest capacity and usually has about F\$ 5000 in the bank. This is due to over cautiousness and lack of understanding in business management aspects.

Stock control is not much efficient and shows a bad stock. Profit margin is comparatively low which is showing 9% and the net profit as 6%. The women's group does voluntary work, thus cutting down the operational expenses in order to show profits.

Account keeping is not that systematic. Store has potential in the area to have more turnover, if it responds to demand of consumers and manage working capital efficiently to have more stock turns. This needs trained store keepers.

12. Delainavesi Co-operative

This co-operative was registered in 1970 as a consumer co-operative and had been doing well for some time. The membership includes salary earners including co-operative officers.

Co-operative provides consumer credit to members and the recovery is good.

The co-operative has been robbed two years ago and has a loss of about F\$9000 worth of stock. The co-operative is not insured.

The co-operative building is a semi-permanent structure with a tin roof and tin walls. It is costly and difficult to keep a large stock with out damage to goods from bad weather and rats and insects. The co-operative carries a heavy stock worth about F\$50,000 at a time.

Stock turnover is good but there are items overstocked (tin food) due to poor purchasing policy and ignorance of consumer demand.

Account keeping is better than some other co-operatives but the co-operative cannot prepare trading account and profit and loss accounts.

Inventory control is inefficient and no forms or ledgers are kept for the purpose.

The general meeting and committee are active in the co-operative. Annual audits are conducted in time.

The co-operative has 1 store keeper working on full-time basis and 2 assistant on part-time basis. Store keeper is a trained staff member.

The co-operative intends to construct a new building but the recent loss has caused postponing the decision.

13. Other co-operatives visited

The team also visited many other co-operative shops - Nukucagina, Vuna, Wainikeli, Bula Bay to name a few.

The team also participated at the annual general meeting of Cane Farmers' Thrift and Credit Co-operative and obtained details of their operations and the financial reports. We also were introduced to Hon. Rabuka, the Prime Minister of Fiji, who was the Chief Guest at the annual general meeting. We had a brief discussion with him too.

Many of these consumer co-operative shops we visited show similar patten of store management and account keeping, hence we had to select few for detailed recording.

Although we visited some fishermen's co-operatives and thrift and credit co-operatives, they are not subject for analysis here as the study mainly focused on consumer and consumer/ marketing co-operatives.

4.5 Management of Fiji Co-operatives

A) Co-operative Society Administration

As described earlier, Department of Co-operatives has an elaborate network of supervision over co-operatives. The country has been divided into 4 provinces; in addition, there is a training division as well as a finance and administrative division located in Suva. The Co-operative College, located at Lami, near Suva is headed by a Senior Officer.

Majority of the department officers are trained staff at least at the training institute. Their main skill training lies with accounting and auditing and not much on management. This situation reflects in their field work; the co-operatives keep basic accounts, but not management controls. The advice provided by them is on accounting and administration of co-operatives.

Some of the officers have got overseas training in U.K. and West Germany. Some of them have got exposure to ILO training and training in Australia. Therefore, they are skilled officers in many respects.

The officers use elaborate forms for their inspections and annual accounting. Specially, the reporting format used at the times of visits is supposed to help the co-operatives and the department to review the progress. The form is emphasizing on financial aspects of the co-operative. This needs to be improved to include management aspects - decision making process, stock controls, purchasing management, sales management, etc. The form has a section for management ratios which can be worked out after annual statements. If they are to check it periodically, the co-operatives need to at least prepare trading and profit and loss accounts. Many co-operatives do not keep their books updated. On the other hand, physical stock verification is required for the purpose. Tongan co-operatives do such monthly record keeping and preparing trading and profit and loss accounts. This should be possible in Fiji too with certain improvements. The officers do their best in Fiji within given circumstances.

Each co-operative officer has to look after at least nine (9) co-operatives on an average. Due to logistic difficulties to cover many remote areas covered by many islands, the officers have the difficulty of regular visits. They help some co-operatives to keep accounts in addition to on-the-job training to co-operative employees. Such regular services face difficulties from their long intervals.

Annual audits of co-operatives are satisfactory. Audits are somewhat simple and easy due to smallness and simplicity of co-operative operations.

The Head Office in Suva maintains a computerised data processing system, which is of immense use. All records received can be processed accurately and quickly. We were able to get national figures and amalgamated balance sheets which are of a great value to assess the strength of the co-operatives in Fiji.

Follow-up action to management reports is essential for co-operatives to rectify their defects. Attendance of co-operative officers specially in the case of annual general meetings would be useful for both parties.

Training arrangements will be covered later.

The current budget for 1994-95 has reduced the allocations for the Department, which will affect guidance activities further. This will continue in the future too as the government progresses with the open economic policy.

The financial assistance to co-operatives by the government is marginal. They are exempted from stamp duties and registration fees, but not from other taxes. Therefore, co-operatives are not much dependent on government subsidies either.

The department's initiative to declare a Co-operative Development Policy and to evolve a strategic plan for 10 years are progressive steps towards creating a forward looking environment and a process. However, the present 10 years' plan may need changes due to present economic policy declared by the government.

B) Planning process of Co-operatives

As mentioned earlier, hardly any co-operative has undertaken a long-term or short-term strategic planning process. Very few co-operatives have undertaken annual budgeting too.

Future visions are motivational factors for a committee and a membership to function. Reflections on their achievements and failures as a co-operative and clear perceptions of the issues are pre-conditions for such a visioning exercise. When members become rational and critically conscious on their socio-economic environment through such a process, they would become strong economic and social entrepreneurs. With the given situation in Fiji having high literacy rate, this is easy to undertake. This review has to be undertaken at the macro level as well as micro level.

Expansion of the market and creation of market need future-oriented approaches. Even with the identity of co-operatives with integrated villages, they will be able to meet the challenges of invading private shops through proper planning.

C) Store Management

In order to create efficiency in utilising working capital, more stock turns have to be achieved while tapping hitherto untapped purchasing power of the community. This requires knowing consumer demands, their nature and volumes. The store keepers have shown varying levels of consumer demand understandings. Wherever the committees are active, this problem has been eased. However, there should be simple mechanisms to document the consumer demands, so that the purchases can be arranged accordingly.

The purchasing policies are not much evident in Fiji co-operatives. Many of them depend on the deliveries or supplies made available by wholesalers from the cities. Dependence on Van deliveries is not healthy as it becomes a suppliers' market. In some cases, we have seen the store keepers are persuaded to buy heavy stocks through discounts on large quantities. The working capital is locked up in such purchases (Eg. Delenavasi).

Few co-operatives compare their delivery prices with the prices in the cities. This arrangement has become unavoidable as the co-operatives do not have transport. Hiring transport too would become expensive.

As a result, purchasing price of commodities are higher. Co-operatives keep a good margin as there are few competitors at present in the rural areas. In addition, the closeness of villages make them protected. When the new traders come to these areas, co-operatives would face difficulties to survive. This has happened in Sugar

Cane Farmers areas, where there is hardly any consumer co-operative that survived. Consumer business is a monopoly of private traders in these areas.

One solution to solve this problem would be to create a secondary union, who undertakes wholesaling and transport. Wainunu Co-operative providing such services has proved to be successful.

One other possibility is to strengthen the Fiji Co-operative Union to undertake this service. Former Consumer Co-operative Federation of Fiji became successful in this activity, at least for some time. Import of goods, purchasing local produce through co-operatives and processing as well as marketing, making deliveries to different islands are some of the functions which can be undertaken.

For such an arrangement, long-term process of mobilising the strength of co-operatives to participate in this re-organization, capital formation, and building up managerial capabilities need to be undertaken.

In this manner, consumer co-operatives in Fiji could have a two-tier or three-tier structure.

Pricing policy of co-operatives appear to be ad hoc. Proper costing of commodities needs to be introduced. Co-operative prices are not competitive, but they do not meet with any competitor.

There is not much evidence of a sales promotion combining store layout. Display methods with customer-oriented activities, discount sales and auction of bad stocks are not much prevalent. Store layouts can be modified to accommodate more customer area, at least to make it 1:4. Counter sales do not mean the customers should be kept away from the stocks. The co-operatives do not have any self-service shop either.

One of the phenomenon we have observed is the use of every available space in the shops by private companies (specially cigarette companies) to paste their advertisements, which not only damaged furniture, but also disturb the attention of customers on goods displayed.

Many co-operatives have been compelled to keep larger stocks due to long intervals of goods supplies by delivery vans, except in the areas closer to the cities. Therefore, controlling of stocks is not much observed. However, it would be easy to analyze stock movements due to limited assortment in shops and make stock days shorter. It is also easy to use bin cards to control the inventory and even to do the verification without much difficulty. Apparently, none of these methods are used.

As a result of lack of proper stock control, the assortment in the shops have not been kept updated. There is no re-ordering mechanism combined with inventory controls. Even if the merchandise is delivered by Van salesman, ordering has to be based on proper assessment of stocks.

Management information has to be compiled and submitted to committees in order to have a proper management of operations. Using management indicators would facilitate the committee to know the position of business. These ratios are only used by the Department staff for their internal purposes.

Insurance is a serious problem in Fiji co-operatives. None of the co-operatives we have visited is under insurance. This has caused them to loose from fire and theft. Normally insurance is one of the conditions for bank loans.

D) Personnel Management

Many co-operatives do not have professionally trained managers (they are called store keepers). Some co-operatives use part-time Secretary/Managers for their operations.

There is no separate legislation governing co-operative employees, which necessitates them to function under common labour laws. Therefore, co-operative employment has not developed as a career. The number of employees in co-operatives is marginal in terms of work force of the country. Career prospects in this sector too are remote.

The co-operative normally recruits a person from the area on ad hoc basis. Committee provides the appointment with conditions.

The salaries are normally low in comparison to other private companies. It ranges between F\$30 to 100 a

week.

It would be difficult to recruit a competent store keeper for such a paltry amount. The qualifications, therefore, vary from each other.

Fiji co-operatives need a conscious policy of recruiting prospective employees and train them by the co-operative institute. FCUL can act on this.

E) Training and Development

The present arrangements for training are two types:

- i. Institutional training,
- ii. On-the-job training.

Co-operative Training Institute (CTI) at Lami provides training with living facilities in the campus. The CTI trains 3 types of persons:

- i. Department and government staff,
- ii. Co-operative employees, members and leaders,
- iii. Trainees from other South-Pacific countries.

As the CTI comes under the government, government officers have more courses organized for them.

The courses are arranged either on request from the institutions or by the CTI itself. The curriculum is not based on field studies on needs and the environment, but from the training packages already available. The CTI mainly uses MATCOM training packages on consumer co-operative management and management of agricultural co-operatives. However, we have observed that the socio-economic and business environment of Fiji co-operatives has more complex issues, which needs addressing. Therefore, the relevance of these material is not that effective. The courses need to be more problem-oriented and the contents need modification.

The CTI has a fairly well equipped hostel and a kitchen, with a dining room. As the premises have been recovered from the Army couple of years back, CTI needs some renovations. Class rooms are fairly large.

CTI has a fully equipped audio-visual laboratory which is used for radio broadcasting. This can be of tremendous use for co-operative promotional activities but needs updating of equipment. It has also few other audio-visual aids as overhead projectors and flannel boards.

The biggest problem faced by the CTI is lack of professional trainers. All officers including the Principal are drawn from the field staff of the Co-operative Department. The present Principal has received some training on Education and Training Technology in U.K., but is unable to make much changes in the system. There are only 5 trainers in the CTI at present. They are not specialists in the subjects taught in the CTI but had training on the subject earlier. In order to deal with the emerging open economy, specialisation in the subjects such as management, marketing, project management, entrepreneurship, etc. are essential.

One of the most evident set back in the rural areas is the lack of entrepreneurship among members and leaders of co-operatives. As detailed earlier, this is due to traditional subsistence agricultural economy still prevailing in the villages. Therefore, CTI should need assessment of its courses in relation to ground realities and the emerging needs.

One way of tackling the trainers issue would be to identify subject specialists from the existing staff of the Department of Co-operatives and make them a panel of trainers. They could be given training on curriculum development, using systematic approach, use of participatory methods and audio-visual aids and provide individual guidance.

Inability on the part of the CTI to follow-up trainees after training is another area of concern. Specially in the case of training of Secretaries, Store Keepers and even co-operative officers, follow-up guidance is necessary to apply their knowledge in their jobs. In the case of co-operative officers, the seniors normally guide junior officers. In co-operatives no such arrangement is possible. Therefore, their training is neglected.

One of the positive feature of the CTI is the arrangement to have the courses self-financed. The CTI levy fees from the trainees. This is no doubt a good tradition created in order not to depend on government funds. Therefore, the future of the CTI is certain, even if the government support is withdrawn.

The CTI conducts some programmes for other South-Pacific islands - Vanautu, Kiribatu, Solomon, Tonga, Federated States of Micronesia and Tuvalu. These countries do not have facilities for training. This situation is a good potential for CTI at Lami to develop into a Regional centre. Such an arrangement would be cost-effective for other countries as well.

In order to achieve Regional status more effectively, CTI many need to have more resources in terms of manpower, finances and equipments. This may also demand some studies in target countries in relation to their needs and the system followed.

4.6 External Assistance to Fiji Co-operatives

External assistance to Fiji Co-operatives so far has been marginal.

Few years back, ILO Project on Training Policy and Standards has conducted a survey on manpower and manpower development needs.

UNFPA has launched a Family Health Education Project in Fiji for which the CTI has been used. Funds have been made available for extension activities.

In 1992, on a request made by Fiji government, ILO conducted a review on co-operative legislation in order to modify it to suit new policies. According to another project proposal by the ILO, restructuring of Fiji Credit Union League and Co-operative Training Institute will be implemented after new Bill has been passed. The ILO is also expected to provide some support to further strengthen the MATCOM programme.

The other support available is through the ICA for training and participation in international seminars. JCCU from Japan has provided opportunity for leaders and women co-operators to receive experience to Japanese Consumer Co-operative to learn their member participation method.

The agencies providing development assistance may need to learn the potential and the influence Fiji has to develop the co-operatives in South Pacific Region, when it is provided with technical know-how and resources.

4.7 Recommendations for the Future Strengthening of Fiji Consumer Co-operatives

A) Development Environment

- Review the present status of take over of Consumer Co-operative Federation by the National Trading Corporation and if not succeeded, seek the possibility of consumer co-operatives taking over.
- Pursue the proposed legislation and get it enacted.
- FCUL requires taking action to organize a review of present business performance of co-operatives.
- Arranging through the government to recruit prospective managers for the benefit of large primaries who are unable to recruit such people. The department could undertake the initial costs this recruitment until the co-operatives become strong with a time plan.
- Linking co-operative executives and leaders by the department of co-operatives with other government agencies who provide entrepreneurship training.
- The Department of Co-operatives to arrange a national review of consumer co-operatives and hold a seminar to prepare strategic plan for the future.
- Conduct an assessment of the co-operatives in Fiji and organize a seminar to identify future prospects for co-operatives in the emerging open market economy.
- FCUL to conduct a feasibility study to start consumer wholesale business in fast moving items.

- Prepare and execute capital mobilization programme for co-operatives.

B) Management of Co-operatives

- To organize a central purchase system in the form of joint buying for merchandise on behalf of co-operatives in order to cut down the higher purchase prices. This can be done by a loose alliance having an understanding among co-operatives. FCUL can coordinate this to have a small office.
- To organize secondary unions in each province to undertake wholesaling and deliveries to co-operatives as well as purchasing local produce for wholesale markets and exports.
- Enter into sugar cane farmers areas for the establishment of consumer co-operatives. At present, farmers are under the clutches of private traders who bind them to consumer loans.
- Introduce strategic planning for the consumer co-operatives with the active participation of members.
- Introduce improved store layouts, display methods and better sales promotion techniques.
- Introduce improved stock control systems, assortment policies and re-ordering systems.
- Introduce management indicators to guide the co-operatives.
- Identify a senior official from the Department to train on consumer development so that he/she could organize separate division.
- Introduce member participation and business participation in business decision making.
- Introduce member education programmes for their rights and responsibilities.
- Provide entrepreneurship training to co-operative leaders, members and staff members.
- Prepare and launch a co-operative leadership development programme.
- Introduce improved financial management systems.
- Provide insurance for fire, theft and natural calamities for all co-operatives.
- Stop credit sales or impose credit sales on deposits.
- Initiate a bilateral exchange programme within the Pacific and developed countries to exchange their experiences.
- Initiate intensive extension programmes in the rural areas to mobilise people to work with co-operatives, using the traditional DUAVATA approach.
- Launch Distance Education Programmes for the benefit of committee members and staff, who are unable to attend training programmes.

C) International Co-operation

- International support agencies to take steps to place a short-term consultant on consumer co-operatives to establish improved store management systems and provide training.
- Study the feasibility of launching a joint venture with a suitable secondary level co-operative or association of primary co-operatives to take over the Consumer Co-operative Federation, which is under liquidation now and set up import and wholesaling business.
- Place a short-term consultant to study the feasibility of introducing coconut-based processing industries and reviving coconut marketing function of consumer marketing co-operatives. In the meantime, a suitable Fijian leader could study coconut-based industries in coconut producing countries such as Sri Lanka, Philippines and Indonesia.
- Place a consultant at CTI, Lami to improve the curriculum development, training system and audio-visual aids in relation to consumer co-operatives.
- Set up a network to exchange co-operative leaders and executives among Pacific countries and more

developed consumer co-operative movements in Asia.

- To seek the possibility of recruiting a volunteer from Japan to help consumer co-operatives to improve their system, who will liaise with the ICA ROAP for further support.
- The ICA ROAP should continue to facilitate the strengthening and collaboration among Pacific countries and serve as a link between the Pacific and Asia.

5. CO-OPERATIVE MOVEMENT IN THE KINGDOM OF TONGA

5.1 General Information

Location: Spread across 362,000 kms. of the South Pacific Ocean, the Kingdom of Tonga is composed of 4 major island groups, i.e. Tongatapu, Aa'apai, Vava'u and the Nivas. The islands have a land area of 688 sq.kms. Altogether the 4 groups have 170 islands.

Topography: Group of islands have volcanic cones in some of them. The islands are circled by numerous submerged reefs.

The Area: A land area of 747 sq.km. scattered over 170 islands, covering an area of 362,000 kms. of South Pacific ocean.

Climate: Varies from 17 to 22 deg. celecius during winter (July-September) to 25 to 33 degree celecius during summer (December-April). Rainfall varies from 1500 mm to 2500 mm annually over the islands.

Population: About 100,000 people having male 101.2 to female 100 ratio.

Religion: Christian (mainly free Wesleyan church). There are few Bahais and Mormons.

Language: Tongan (a Polynesian language)

Literacy rate: 97% (high female literacy rate)

Life Expectancy: 65.7 years

Population Increase: 0.5% (if migrants are taken into account 3%)

GDP Per capita: T\$ 750.

Inflation rate: 6%

Labour Force: 59% above 15 years of age.

Unemployment : 9%

Infant mortality : 6-7 death per 1000.

Political system: Kingdom having a King and a Parliamentary system.

Economic Policy : Open market economy.

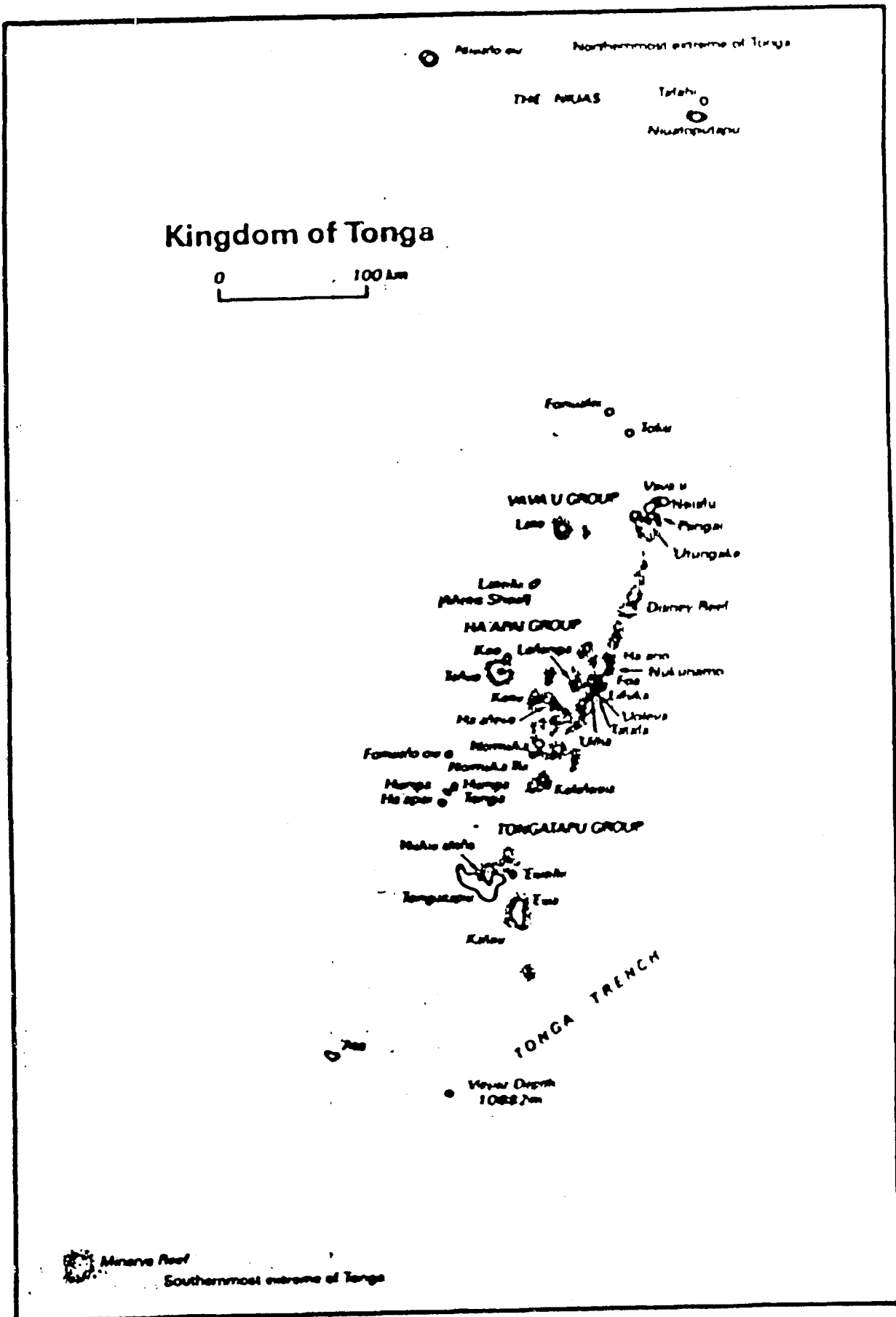
Main Agricultural Products: Farming produce (root crops and vegetables, fruits), fishery products.

Main Industrial Products: Coconut-based products, canning.

Main Exports: Root crops, fruits and spices, coconut based products.

Land Tenure : All lands technically belong to the King, who has allocated the same to 35 nobles. These lands are again allocated free of charge to eligible citizens (males above 16 years of age) in 8.25 acre plots. They pay a nominal lease to authorities. No foreigner can buy land in Tonga. According to World Bank estimates (1986), the population growth will result in 90% of eligible males not having any land. Average land per household in 1988 was 3.83 acres. However, only 37% of land are utilized.

10 Facts about the Country



5.2 Legal and Administrative Environment of Co-operatives

The subject of co-operation has come under the Ministry of Labour, Commerce and Industries since 1973. The government actually supports the co-operatives through registration, auditing and settlement of disputes. The government does not nominate board members to co-operatives, although there is a provision for that in the Act.

The government see co-operatives as an important instrument to encourage initiative, self-help and mutual assistance of social cohesion and harmony and to allow self-interest to be met by group action. The Department of Co-operatives and Credit Unions is expected to play a role of a facilitator through policy initiatives and create congenial environment for co-operatives. The Department is a small division in the ministry, having a Registrar and an assistant Registrar. Total number of staff is 28. The head office is located in Nakua' Lofa.

The Co-operative Movement in Tonga does not have a co-operative training institution. The training division in the Department undertakes field training activities. The officers in the division carries out member education as well as staff training. The content include not only co-operative topics but also other topics such as family life education.

We have observed that the officers of the department closely guide the book-keeping and financial statements of co-operatives. Majority of co-operatives are able to prepare their monthly trading and profit and loss accounts.

The department is divided into 6 divisions to cover the entire country. Tonga Co-operative Act No.15 of 1973 provides legal identity to co-operatives and regulate their activities.

Unlike many other countries, 5 members can form a co-operative in Tonga. There is a provision to convert a company to become a co-operative but not vice versa. The government exempts co-operatives from stamp duties and fees for registration.

As in the case of India, the Government kept its right to nominate members to the committee, when their funds are involved as investment. Other provisions in the Act are somewhat similar to that of the former British Co-operative Acts prevailing in Asia. One special character in the Act is the non-intervention on business on the part of the government in daily business operations.

One of the other features of Tongan co-operatives is the recognition of family shops by the co-operatives. Tongan Co-operative Federation (TCF) has admitted family shops as their agents with certain pre-conditions such as not hiring labour from outside the family and compliance with pricing by the TCF.

5.3 Present Status of the Co-operative Movement and the Business Performance

The main types of co-operatives in Tonga are Agricultural producers and marketing, consumer, thrift and credit and multi-purpose co-operatives.

Proper statistics of number of co-operatives in each category is absent. The active co-operative societies are divided into extension divisions as follows:

<i>Division</i>	<i>No. of active co-operatives (1992)</i>
Nakua'lofa	68
Vava'u	22
Pangai	21
Ha apeva	-
'Ena	6
NTT	5

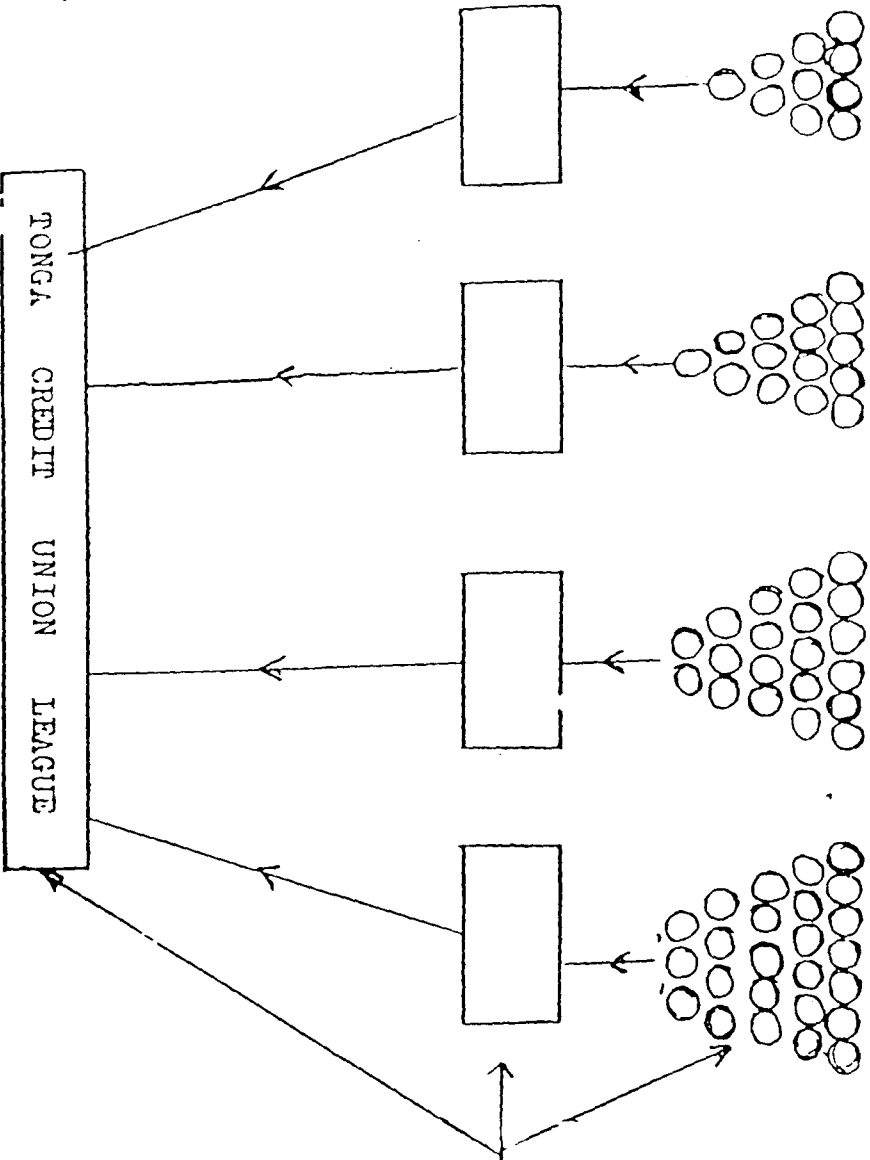
Total	122

(Source: Co-op Department)

CREDIT UNIONS ORGANISATION CHART

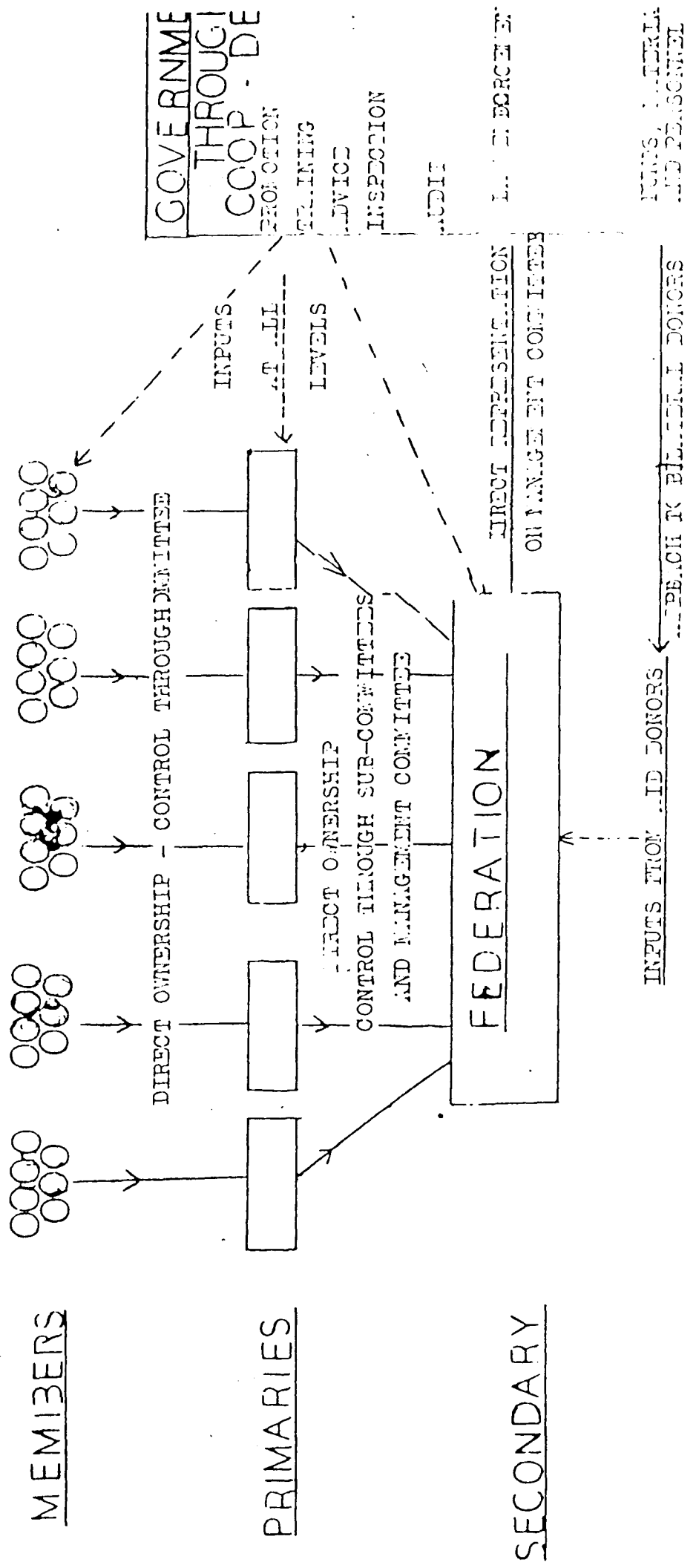
MEMBERS :

VILLAGE CREDIT UNIONS :



- GOVERNMENT THROUGH
COOPERATIVE AND
CREDIT UNION DEPT :
- Training
 - Promotion
 - Advising
 - Supervising
 - Monthly Financial
 - Inspection
 - Annual Audit
 - Administration of the Act
 - Funds, material and Personnel

COOPERATIVE ORGANISATION IN TONGA



This shows the main concentration of co-operatives in Nakua'Lofa.

The credit co-operative movement is declining in Tonga in spite of the efforts by the government and the Tonga Credit Union League. The statistics are as follows:

<u>Particulars</u>	<u>1990</u>	<u>1991</u>
No. of credit Unions	56	48
No. of members	1900	1500
Shares (T\$)	398,290	585,540
Amount of Loans	317,167	497,655
Reserves (T\$)	6,891	3,580
Total Assets	467,684	3,864,825

(Source: Co-operative Department)

Agricultural Producers and Marketing as well as Multi-purpose Co-operatives engage in production and marketing of root crops, fruits (watermelon and squash), vegetables, fish and handicrafts. The main marketing co-operative has been named as Friendly Island Marketing Co-operative (FIMCO) which functions as a secondary co-operative society.

The FIMCO started its operations in 1986 and has 37 full time employees and 100 casual labourers. The progress is as follows:

	1987	1988	1989	1990	1991	1992	1993
Membership	836	1046	1142	1562	1629	1917	2058
Turnover (T\$)	883886	1098078		1138349		18813	24
	3269194	203000	1900,000				
Net Profit (T\$)	50424	18084	13172	168051	73691	70748	28465

(Source: Co-op Department)

FIMCO has a unique combination of institutional and individual membership. As figures show, there is no co-relationship between the turnover and the net profit. FIMCO is much dependent on the export trade more than domestic sales, and hence prices in the international market affect the profitability. 1992 has not been a good year for FIMCO either. It depends on the markets of Japan, US and New Zealand.

The individual membership consists of 75% of the total members and the share capital is restricted to T\$ 5 to get all farmers and producers to participate.

Earlier FIMCO has been a subsidiary of TCF but broke away in 1986 to enter into expanded business.

US-AID provided financial and technical help to FIMCO in its operations.

FIMCO has future plans to acquire fishing boats and introduce papaya and Taro to the market.

From the observations we had made and from the discussions with Mr. Manhea, the manager, we have felt that the management is conscious of cost-effectiveness and maintain management ratios to not to loose the profitability. Labour has been made flexible in relation to volume of business. Dividends on participation is paid every year.

The MIS has been computerized and the data is used for decision making. FIMCO is also concerned of the quality in terms of competitiveness. Even in the handicraft shop it maintains in the city, it is visible. They have taken advantage of high literacy rate to educate farmers on quality of products.

However, by and large, the domestic wholesale market for farm produce is very much influenced by the wholesalers operating in the wholesale markets. Co-operatives are unable to achieve a good share. Producer-consumer direct marketing is also a common feature in Tonga. Some of the consumer co-operatives and multi-

purpose co-operatives provide marginal support to farmer members by buying their products for sale.

Consumer co-operatives is the dominant sub-sector in Tonga. The total number of membership is much larger than all other types. Tonga Consumer Co-operative Federation is the importer and wholesaler for consumer co-operatives.

The progress shown by TCF during last few years is as follows:

	1987	1988	1989	1990	1991	1992	1993
Turnover (in million T\$)	6.1	8.1	9.2	11.2	13.4	15.9	16.7
Net Profit	113,000	320,000	410,000	543,000	543,000	1002,133	896,296
Income-tax to Govt.	35,000	109,000	114,000	121,000	194,000	260,450	221,560

(Source: Co-op Dept)

The TCF maintains 3 warehouses and has 69 member co-operatives. The Board of Directors consists of 9 members selected from different islands in relation to the number of members. Permanent Staff is 89.

The TCF maintains comparative data based on management ratios. As an example, we could indicate the following:

	1991	1992
Operational expenses as % of sales	7.1%	7.58%
Comparison of members to non-member sales	9.2%:90.8%	13%: 87%
Sales increase	NA	18%
Net profit before taxation	NA	24.7%
Current assets to current liability ratio	NA	1.93%

(Source: TCF)

The capital formation of TCF is much dependent on external capital. By December, 1992, the capital contribution from external sources is as follows:

	1992	1991	1990
Govt. of Tonga	20,000	20,000	20,000
US AID	209,112	209,112	209,112
Canadian Aid	17,400	17,400	17,400
New Zealand Aid	3,075	3,075	3,075
Total	249,587	249,587	249,587

(Source: TCF)

In contradiction, members' share capital has been very low as follows:

1992	:	10,336
1991	:	10,186
1990	:	9,886

TCF maintains very high ratio of sales per employee and sales per member. TCF had a working capital turnover of 8.3 times which is excellent.

As in the case of NTUC Fairprice in Singapore, TCF has recruited family shops (retail) as members having one member each. These shops are mainly located in the areas which are not covered by co-operatives. They have to make a deposit for the purchases and also abide by an agreement with the TCF.

There are few factors which have contributed to TCF to hold major share of wholesale and retail consumer market in Tonga:

- Buying power of consumer is higher than any other developing country in the region.
- By having a major share, TCF has a competitive advantage over other importers and wholesalers in bulk imports from New Zealand and Australia.
- Purchase cost and sales cost are lower than other competitors.

In addition, TCF has adopted profit centre approach to all of its units. The operational efficiency has been maintained by computerised inventory controls and by keeping track of reordering and shipping schedules. By the introduction of computer-based management information systems, the labour costs have been lowered and made operations efficient.

A lesson one could learn is to start business with a well organized system as shown by TCF. With the capital received from USAID and the Government of Tonga, the TCF bought Moris Hedstrom Import and Wholesale Company which had organized buyers and sellers. This was strengthened by combining 69 consumer co-operatives to the business. Therefore, the agony of starting a business unknown has been avoided. The other example for such a successful story is TAFE Co-operative Association in Tanna Island, Vanuatu.

The TCF operates a hypermarket in the town where customers can buy bulk supplies at a discounted price.

Primary consumer co-operatives in Tonga have also shown more promise than other islands. The business performance of primary co-operatives is as follows:

	1992	1993
No. of members	6576	6679
Sales	2,406,907	2,206,246
Net Profit	122,053	246,754

(Source: Co-op Department)

As seen here, per member sales are quite high and the net profit received is also high.

We were able to visit six (6) societies in Nakualofa island which has a main concentration of consumer co-operatives.

Average membership in primary consumer co-operatives does not exceed 50, which make them small units. Many of these co-operatives have emerged recently - in 1970s. These co-operatives have elected boards and managed by them democratically. The influence of Department officers on decision making is marginal. They engage in guiding employees in book keeping and preparing accounts. Audits are undertaken annually.

The Department officers have been exposed to training abroad normally at Lami, Fiji. Some of them have received training in USA and UK. Their competence helps co-operatives in training employees.

Average number of staff is two - a manager and an assistant. They prepare their own accounts which are analyzed monthly up to profit and loss account. Monthly physical stock verification is a normal practice.

The shops carry stocks for a convenient store and perishables are minimal. They do not carry any dead stocks and the leakage is absent. The assortment is about 150-200 items. They have achieved an average of 2 stock turns per month.

The net profit achieved by co-operatives is a minimum of 3.9% and a maximum of 12.1%.

Annual sales per member is quite high. As an example:

<i>Co-op</i>	<i>Annual sales per member (T\$-1993)</i>
Aa'Asivi	2235
Ahiohio	3298
Mapua Vaca	2098
Toa Hola	1857
Ha'Inga	3157

However, there is still room to increase sales when we consider the per capita income of the people in Tonga.

The sales are done on counter sales basis. The display is average and common to other private shops. Groupings of commodities are done and the stock verification is easy. Average stock in shop ranges from T\$ 5000 to T\$10,000., which shows a high competence in inventory control.

Store timings are decided to the convenience of the members. Normally, the shops open throughout the day from 07.00 a.m. to 11.00 p.m. (It is a 7-11 store, except one hour lunch break!) All members receive patronage dividends on the basis of the records kept in the co-operatives.

The working capital in primary co-operatives is kept at a minimum to create higher efficiency in stock turnover. Value of a share is kept at T\$ 5 to 10 in primary co-operatives. Members get 10% interest on shares. By purchasing stocks from TCF, every society gets a dividend which is added to the working capital. Tongan banks give 5% interest on current accounts which is advantage to co-operatives.

Indenting of goods is done on the basis of a committee decision. Normally the manager (sometimes called the Store Keeper) go for supply usually to TCF. In certain shops members' products are also sold.

Some societies function as multi-purpose co-operatives by undertaking other services such as tractor units and selling petroleum products. Some undertake agricultural marketing marginally. However, consumer service remains as the major activity.

TCF and affiliated consumer co-operatives are a clear example of a strong co-operative network supported by an apex organization. TCF, being the major importer of consumer goods, has helped primary co-operatives maintain a high profitability. This system can offer a good viable model to other pacific islands - even to Fiji.

The private sector has not been competitive with TCF system in convenient goods. They have preferred to work as retailers with the TCF. TCF has tried to introduce Co-op Brand products in some items such as canned fish. This can be strengthened by adding processed agriculture products from the members.

The co-operatives can introduce self-service system in their shops so that more turnover will be achieved. Survey of members extra needs and the demand for certain items will increase or create the market.

Diversification of members' services is another way of expanding business for future.

Women's participation in co-operatives is fairly high. At least one consumer co-operative (HAINGA-MELINO) has a majority of women members (23 out of 28). Many shops have female store keepers or assistants. They form an equal work force in the co-operative sector.

5.4 Ideas for Future

- Closer trade relations between FIMCO and TCF would strengthen the consumer and producer co-operatives, while keeping the identity as separate business organizations.
- Consumer market in Tonga has become a seller's market. A proper survey on consumer needs of members and consumer education would create a buyers' market. Co-operatives should help members to manage their budget effectively.

- Introduction of self-service system would strengthen the customer relations and sales turnover tremendously, if the present practices are changed.
- Diversification of members' services is another way of business expansion.
- Increase of equity capital would increase the stocks and their turnover. As the current value of a share is only T\$5, there is enough room to increase it.
- Training of staff on customer/member relations is essential when the current situation of higher turnover from non-members is considered. Non-members are normally a floating customer population.
- Training overseas for managers is another requirement for future.
- Improvement of store appearance in cleanliness is a common need to improve the current store image.

6. CO-OPERATIVE MOVEMENT IN VANUATU

6.1 General Information

Location:	Vanuatu is a Y-shaped chain of about 83 islands located 2200 Kms. north-east of Sydney, Australia, in the Pacific ocean. It stretches north to south for 1300 Kms from Torres island to infertile rocks of Mathew and Hunter.
Area:	Vanuatu covers a land area of about 12,000 sq. km. The size of islands vary from 75 sq.km. to 4000 sq.km. (Espiritu Santo)
Topography:	The islands are covered with perennial rivers and some of them have volcanic mountains. The islands of Pentecost and Malwo have large highland areas served by many streams. There are also few lakes in the islands.
Climate:	The climate varies from tropical in the north to sub-tropical in the south. Greater part of the archipelago has wet climate. Temperature ranges between 21-27 deg. centigrade and humidity varies from 75 to 80 deg. centigrade. Rainfall is abundant from November to April.
Population:	In the 1989 census, the population recorded was 143,000. Current estimate is 146,400. Annual population growth : 2.5%.
Infant mortality:	56 per 1000 live births.
Life expectancy:	65 years.
Adult literacy rate:	65%
GDP per capita:	US\$ 1,679
GNP per capita:	US\$ 1,180
Labour force:	60,000; 70% engaged in Agriculture and tilling.
Language:	Bislama (pidgin English)
Religion:	Christians (Many sects)
Government:	A republic having parliamentary democracy. A member of the UN and commonwealth.
Economy:	The country has a dual economy - subsistence agricultural economy and commercial plantation and monetised economy. Although per capita GNP is high, income distribution is highly unsatisfactory, 10% of the population consuming 80% of income. Expatriate companies hold the key to the economy. Government has allowed free monetary inflow and outflow as well as banking services. It is an offshore financial centre.

TORRES ISLANDS
MPU
TEBUA
LOM
TUGA

MAELUA LAKE
MOTA LAKE
MOTA

BANKS ISLANDS

SANTA MARIA
MERE LAKE

ESPIRITU SANTO

AMBAE MAEWO

LUGANVILLE
MALO

PACIFIC OCEAN

PENTECOST

MALEKULA

AMBRYM

PAAMA
LOPEW
EPI

SHEPHERD ISLANDS

TONGOA
TONGARUNI

EMAE MALAKPA

MALISO

CORAL SEA

MESINA
MOSO

EMAO

EFATE

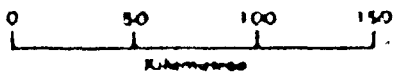
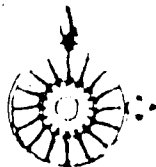
PORT VILA

ERROMANGO

ANIWA

TANNA

FUTUNA



ANEITYUM

MATTHEW
B. HUNTER
2001

VANUATU

Economy policy: Free market economy.

Main Agri.produce:Coconut, banana, cocoa, coffee.

Export: Copra, fish, wood.

Land Tenure: Two types - Free holdings and native land.

Tax: There are no income tax in Vanuatu. The government depends on indirect taxes for income. The government supplements its funds from foreign assistance programme. Australia, France and UK are the main partners.

6.2 Legal and Administrative Environment of Co-operatives

Co-operatives have been introduced to Vanuatu by French and British colonial administrations. The co-operatives have a history of 30 years.

The subject of co-operation comes under the Ministry of Economic Affairs. The department combines the subject of co-operatives and rural development under one institution.

The Department has about 40 employees headed by a director. The present director does not belong to civil services, but a business executive appointed by the government (See chart on page 48).

Offices are centrally located in Portville. They go to islands for supervision by air or boats.

The Department undertakes registration, supervision and liquidation of co-operatives. Officers go and check the accounts and do the auditing. Right now about 40% of the positions in the department have fallen vacant due to a labour agitation and a strike participated by the staff. The government dismissed all strikers.

The department also undertakes training as a subject. The officers go to co-operatives and conduct on-the-job training. In addition, there is a small co-operative training centre at Portville, which is now closed as the staff is dismissed.

The Vanuatu Co-operative Federation has been taken over by the department due to malpractices by the previous board. The Federation has been undertaking wholesaling and export. The department has appointed a 4-member board to conduct the affairs of the federation.

The British government has supported the department to have a Small Business Enterprise Development division, headed by an expatriate. He conducts entrepreneurship development activities.

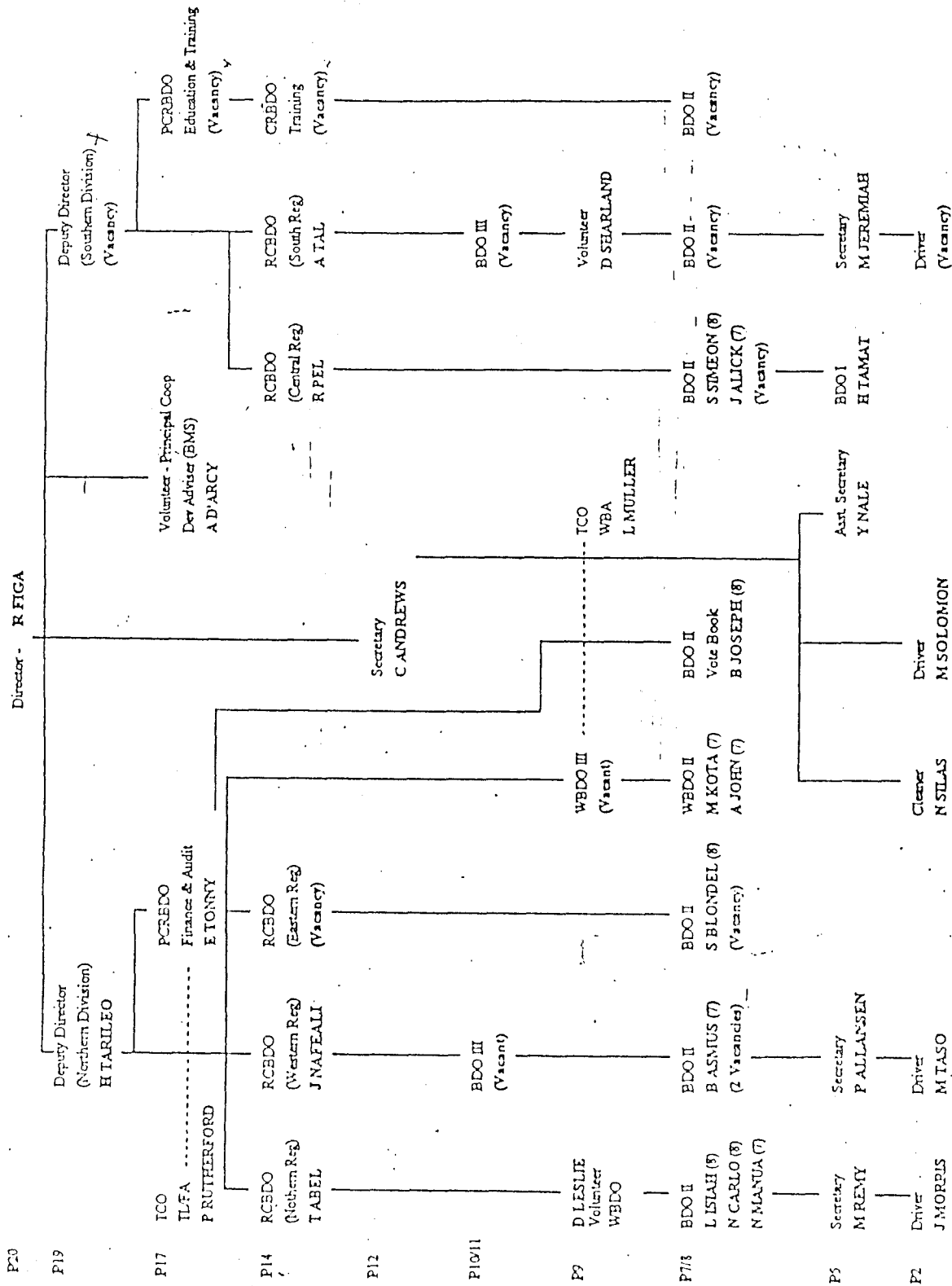
In addition, the Australian government has partly funded a division called 'Business Management Services (BMS) for Co-operatives'. An expatriate supported by a local counterpart carry out the services on self-financing basis. Therefore, the department has undertaken to organize co-operatives, supervise and audit small co-operatives. The larger co-operatives are handed over to BMS. BMS charges a small consultancy fee to provide guidance. At present only one local and an expatriate form the division.

Co-operative Development is a part of the Vanuatu National Development Plan. In order to keep within the targets set, the government intervenes in the affairs of co-operatives. As an example, when Vanuatu Co-operative Federation failed in 1986, Government promoted formation of Regional Association of Co-operatives and also created the Business Management Services. (See chart on page 49).

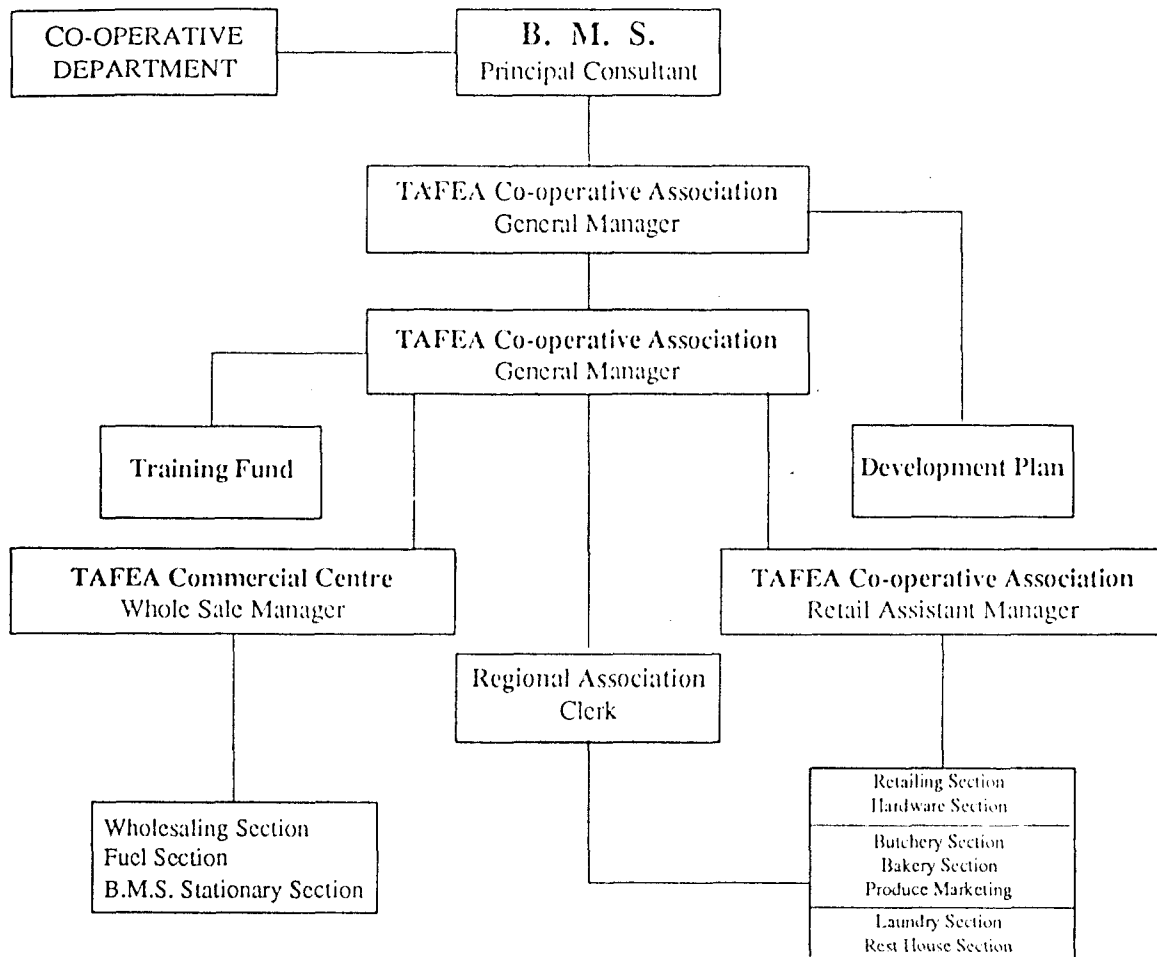
The BMS provides different services to its clients - large co-operatives:

- Management guidance,
- Training of managers,
- Store building and upgrading.
- Supervision of finances,
- Advise on new co-operative projects,

DEPARTMENT OF COOPERATIVES AND RURAL BUSINESS DEVELOPMENT



Key: PCRBDO - Principal Cooperative & Rural Business Development Officer; RCEDO - Regional Cooperative & Business Development Officer;
 BDO - Business Development Officer; WBDO - Women's Business Development Officer; CRBDO - Cooperative & Rural Business Development Officer;
 ICO - Technical Cooperation Officer; ILFA - I-Team Leader/Financial Adviser; WBA - Women's Business Adviser; BMS - Business Management Services



- Advise and assist community development projects.

The BMS meets with managers twice a year to discuss business results. It is responsible for the training and development of staff of their clients.

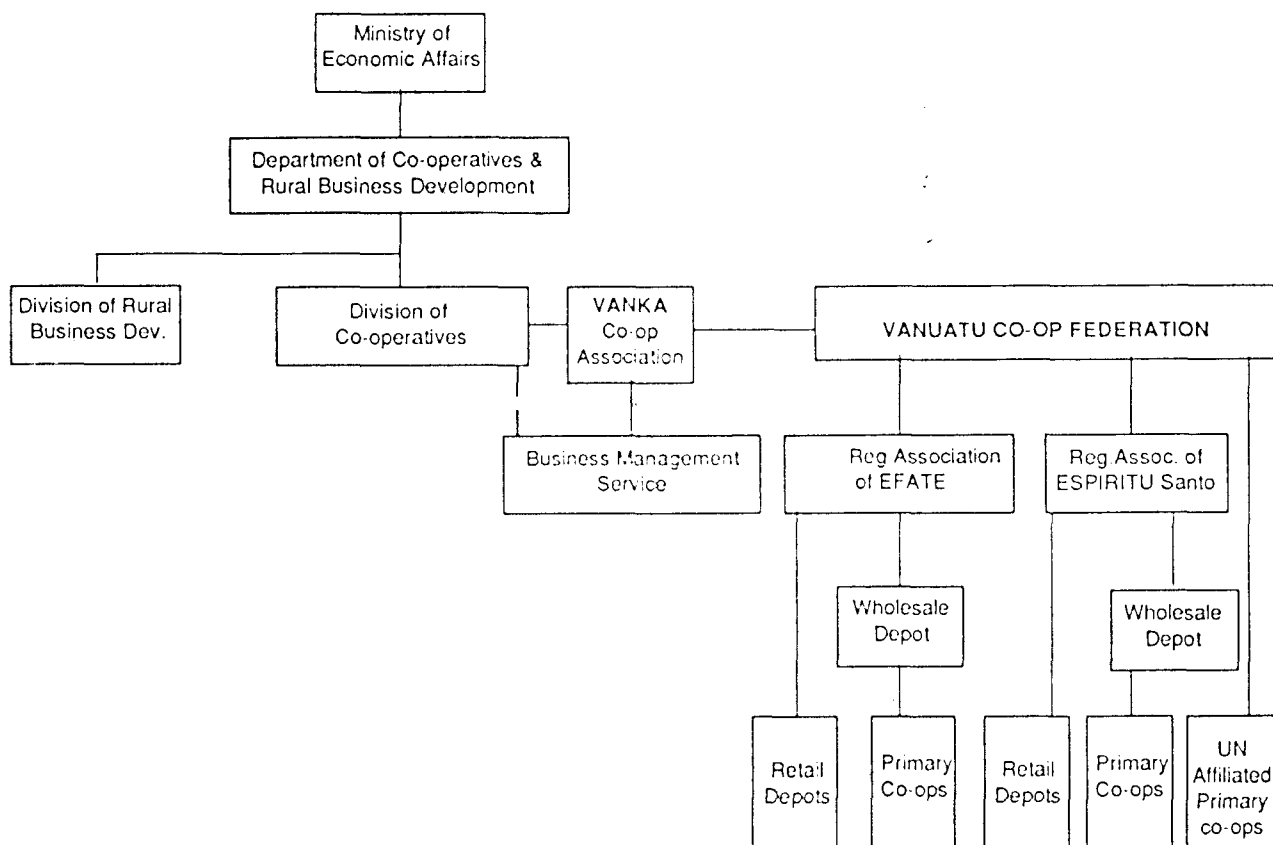
BMS has computerised its information system. The largest client, TAFEA Co-operative Association is the best example of BMS client who has computerised its accounting and MIS.

The department staff is trained in Fiji at the Co-operative College at Lami. Sometimes, they are trained in UK too. In comparison to other departments of the government, the Department of Co-operatives and Rural Development has a smaller budget. However, the allocation does not match the ministry's desire to expand co-operatives nationally and internationally.

6.3 Present Status of the Co-operative Movement and its Business Performance

The first attempt to set up co-operatives in Vanuatu was launched in 1939, where a co-operative was formed to increase copra production and marketing at Matanavat in Malekula island. This has later given birth to a political movement and was converted into a company. The second attempt was in 1963, when Lumbukuti Co-operative was set up at Tonga.

The present structure of the co-operative can be illustrated as follows:



The Vanuatu Co-operatives are basically multi-purpose type dominated by consumer activities. Some of them undertake copra production and marketing as well as marketing of agricultural produce, specially root crops. The present status of co-operatives is as follows:

Active Co-operatives by Region

1992/93

(US\$1 = Vatu 110)

Region	No. of Co-ops	No. of Members	Retail Sales VT.Mill	Marketing of Produce VT.Mill.	Capital VT Mill.	Stock VT Mill.	Net Profit VT.Mill.	REBATE
Ambac/Maewo	9	382	79	11	42	16	6	2
Amrym	13	641	59	21	46	14	5	3
Banks/Torres	4	130	11	2	5	2	1	1
EFATE	10	735	83	0	24	6	2	2
EPI	7	312	14	1	9	3	2	0
Malekula	18	908	152	16	71	33	12	7
Paama	4	381	14	0	8	2	1	1
Pentecost	7	421	32	0	17	10	3	1
Santo/Malo	13	734	54	12	31	10	4	3
Sheperds	3	217	6	0	4	1	1	0
TAFEA	6	342	137	1	52	22	13	6
Total	94	5203	642	64	309	119	50	26

(Source: BMS)

Annual sales per member has become unbelievably high due to the fact that co-operatives deal with non-members too. It has been observed that non-member sales are much higher than member sales.

Average number of members is in the range of 50, thus making co-operatives small. In order to maintain profitability, they have to provide multi-services.

It has also been noticed that there is a high incidence of debtors in co-operatives. In 1992/93, the debtors had a liability of VT.42 million, although it is the largest in six years. In 1991-92, it was VT. 87 million. The average per member debt is VT.8072 which is very high. It is also difficult to reconcile the payment of high rebate unless the non-member participation is apportioned among membership. In our study in the field, it has been noticed that many co-operatives in the past have collapsed due to heavy debts accumulated by members. Still many co-operatives we visited have considerable amounts of accumulated debts.

The other visible problem in these co-operatives is the heavy stocks which have locked up the working capital. The stock turns have been to an average of 0.5 per month. On our verification of the reasons, we were made to understand the logistic difficulties from main island to others. Boat services have been irregular, which caused carrying buffer stocks in warehouses. In order to compensate the problem, co-operatives carry a wider margin to an average of 23%. The overheads have been at a minimum as many co-operatives, except in Portville and TAFEA and do not have more than one or two full time staff. The managers are paid very low salaries in the range of VT.20,000. In the same co-operatives, committee members carry out business during their off hours on rotation.

This manpower problem has affected store management severely. The books in many co-operatives are not kept properly. Inventory controls are not adhered to. Assortment and re-ordering systems are inefficient. Many co-operatives have poor display and shop layouts. The refrigerators in the shops are not used to the maximum capacity and not maintained properly.

Annual planning or budgeting is not carried out by co-operatives. Many of the staff members are untrained on book keeping and store management systems. The co-operatives survive in rural areas, as there are no competitors.

In contrast, some of the co-operatives in EFATE and TANNA islands guided by BMS have shown much better results. TAFEA Regional Co-operative Association has become the largest in Vanuatu at present. The TAFEA Commercial Centre owned by an Australian entrepreneur has been bought by the Regional Association in late 1980s. As in the case of TCF in Tonga, TAFEA had the advantage of organized suppliers and sales agents of the previous owner, in addition to co-operatives. The executives of the former business have been absorbed by the Regional Association, who carried out uninterrupted business.

Vanuatu Co-operative Federation is the apex organization for co-operatives. It was set up in 1975 to import consumer commodities and export agricultural and fishery products. It was also meant to serve as arbitrators for the member co-operatives. 300 co-operatives became their members.

After doing good business for a while, the VCF met with difficulties due to corruption in imports and exports. Therefore, the committee was dissolved in 1985 by the Registrar and a committee of custodians was appointed. In order to salvage the VCF, the government provided monopoly of importing 5 essential commodities.

The accumulated loss for 1992 was TV.9 million. This has been recovered and the statement of accounts for 1993 shows a profit of VT.21.7 million. The committee is now considering to expand the business and reactivate the membership.

However, the market has changed since its bankruptcy. Some regional co-operative associations have started imports and enquiry from different sources. It will take immense efforts and time to build up the market again even if co-operators support. New ventures need to be considered after careful feasibility studies and new business alliances need to be formed. At present the VCF depend on the commission they receive from the

business houses to whom their permits have been lent. VCF has no manpower other than the chief executive and few employees. It runs a retail shop in the premises, which is managed efficiently and making profits.

The latest development is the registration of VANKA, a national apex entity which is a non-trading body. BMS functions under VANKA as a subsidiary. The relationship between VANKA and the VCF is unclear. This arrangement needs to be streamlined when VCF starts functioning with their members. At present, the chairperson of Regional Co-operative Association sit on the committee of VANKA. VANKA could eventually become the non-trading apex body coordinating all sectors of co-operatives and undertaking raining and extension work. Except the Regional Associations, other primary co-operatives cannot undertake training of staff and membership.

The present arrangements for training is ad hoc and carried out by the departmental officers. Working on co-operatives - specially in the case of primaries - has not developed into a career for employees. Member education is confined to the meetings and some speeches given by the Department Officers. They are normally passive in their relationship with the business of co-operatives.

Potential of BMS is tremendous in the absence of a training centre and management services cell in the department. The department is ill-equipped in terms of manpower and logistic support to undertake guidance to co-operatives. They are basically confined to their statutory work. The problem of BMS is again shortage of manpower. The technical personnel is consisting of an expatriate volunteer and a local counterpart. Although they posses required competencies, the clientele is too large to serve. They are scattered over many islands. As they work on fee basis, BMS could become self-sustaining after some time. The other alternative for BMS to meet the demand is to identify qualified personnel from regional associations such as TAFEA and train them to undertake consultancy work with primary co-operatives on part-time basis. The BMS could then maintain Regional Consultancy Cells to serve their clients. BMS is one of the vital business promotion agencies needed at present to salvage the co-operative movement. It has also made an impact on the movement and build up a capital base of its own from VT.14,988 in 1983 to VT 139,336 in 1992/93. They have contributed to an increase of the net-worth of TAFEA Co-operative Association from VT.5 million in 1985 to VT.51 million in 1993, which means a 1020 % increase.

BMS at present serves 18 retail co-operative shops, 3 regional associations, joint venture by co-operatives at the airport and co-operative investment on MAPHEST plantation in MALEKU.

BMS eventually look after all aspects of management guidance to their client co-operatives under an agreement on fee basis. These include:

- Development of staff,
- Development of store services,
- Development of strong financial base,
- Development of buildings and equipment,
- Development of community responsibilities,
- Development of strong national movement.

TAFEA Regional Co-operative Association in TANNA provides a good example of a success story in co-operatives of Vanuatu. TAFEA was created in 1985 with an initial capital of VT. 8 million raised from the Bank. The TAFEA took over the commercial centre owned by an expatriate businessman and its employees. 25 primary co-operatives became members of the Association and depend on it for their present supplies.

TAFEA manages wholesale depot, fuel stations, hardware, butchery, produce marketing, laundry, 2 retail units, and a rest house. The organization chart is given on page 47.

The TAFEA has increased its net worth from VT.5,415,000 to 51,168,185 in 1993, thus making it the strongest co-operative association in Vanuatu.

It also provides training facilities to staff of its member co-operatives. The employees of TAFEA are given incentives in addition to their salaries. Specially in the recovery of past debt from individual members, they are given more incentives.

TAFEA has also prepared a development plan for its member co-operatives. The investment on these plans would be made from TAFEA's profits and it will be an interest free loan to member co-operatives pledging their deposits with TAFEA. These projects include processing plants for peanuts, shop buildings, piggery, fishing and solar panels.

Activating Regional Co-operative Associations would bring good results in Vanuatu due to many reasons:

- Logistic difficulties the primary co-operatives face in processing goods and marketing products.
- Absence of wholesalers and importers in many islands.
- Regional Associations could provide training to store managers and staff of primary co-operatives.
- Regional Associations could provide capital for investments in primary co-operatives in the absence of banks in the islands.

Vanuatu has great potential for the development of co-operatives. It has a dual economic structure and a dual social structure. On one hand, expatriate companies which operate from Portville engage in financial business, plantation and imports and exports. They control the entire economy. Their families are again served by expatriate service companies in consumer business and holiday resorts, etc. These services are irrelevant for the local native people. On the other hand, the local population is engaged in subsistence farming and fishing in addition to some tribes who live in reserved areas and confined to themselves.

After independence, there is a tendency on the part of expatriate commercial farmers to leave their vast coconut, cocoa and coffee plantations. Some of the import and export businessmen in the islands too are leaving. They leave behind vast used resources, which the local population cannot take over and manage as their technical and managerial capacities are limited. Specially coconut industry is suffering. Therefore, the co-operatives have the possibility to take over these commercial ventures and manage them.

Coconut based industries are not much known to Vanuatu in comparison to other coconut producing nations - Philippines, Indonesia and Sri Lanka. These by-products have domestic market possibilities as well as export.

Food processing is another area which has a potential in Vanuatu. Canning, dehydration, flour and starch from root crops are some of the areas for consideration by the co-operatives.

As Vanuatu posses vast areas of grazing land and coconut plantations, dairying would help in many ways. At present, practically all dairy products are imported from New Zealand and other Pacific countries.

Even with great difficulties, co-operatives serve about 75% of the local population through their shops. These are needed to be strengthened by expanding business to create viability in operation so as to enable them to keep a competent staff. Investment by regional associations in their member co-operatives needs to be encouraged. If necessary, temporary take over of loss making shops needs to be considered.

It is also necessary to strengthen the BMS to expand its consultancy work on self-financing basis. Recruiting part-time consultants from regional associations and training them to undertake consultancy is an economical way.

The Vanuatu Co-operative Federation is required to be revitalised to undertake business of its own. The profit made through permits can be used to take over import business again as there is a monopoly guaranteed. However, in the present context of Regional Associations having entered into import and wholesaling, some arrangement can be worked out to avoid competition among co-operatives.

The role of VANKA has to be determined carefully taking into consideration of the salvaged VCF and strong regional associations. It is a non-trading organization, BMS working under it would create problems. The

correct plan for BMS would have been working with the VCF as a subsidiary with independence, if it was not for the collapse of VCF. As the situation has changed, the decision needs to be reviewed.

In the case of primary co-operatives, the most vital action required is to introduce management systems with performance indicators to follow. Specially in the areas of inventory control, keeping accounts, management of credit and re-ordering systems, the improvements are essential. Shop layouts and display technology too are important at present. Development of a model co-operative would provide good training ground for other co-operatives.

Absence of a Co-operative Training Centre is a great loss for co-operatives. Ad hoc arrangements for training of staff, leaders and members have not been successful.

Exchange of management expertise with out co-operative movements such as Tonga would help Vanuatu to a greater extent. In addition, training few technical persons in the areas of coconut based industries and food processing would help co-operatives to start such business activities.

6.4 Ideas for Future

Vanuatu Co-operative Federation will be a vital link for primary co-operatives to receive their supplies. The merchandise of co-operative consists of about 90% imported goods, hence the situation is vulnerable. As at present, the import business is completely at the hands of private companies. VCF could also retain the export business as done through private agents at present.

Operating of the Training Centre is important to revive the training facilities. Small co-operatives are unable to send their managers to Fiji nor can they hire outside trainers.

Strengthening of regional co-operation among Regional Associations would provide a forum to strengthen the restructured VCF in the future. They could engage in joint trade and at least at present could operate an office in Portville to procure supplies jointly for the members.

BMS is required to be strengthened in order to expand their management advisory services. In the absence of a training system, BMS is the only place the co-operatives could receive guidance for better management systems.

Processing of local produce and animal products is another area which needs attention. TAFEA is now engaged in this activity in a limited way with agricultural primary co-operatives. They could float a secondary or tertiary organization to undertake such an activity with the support of Regional Associations.

Secondary level processing co-operatives could bid to take over abandoned commercial plantations before they are ruined, possibly with joint ventures with developed co-operative movements elsewhere.

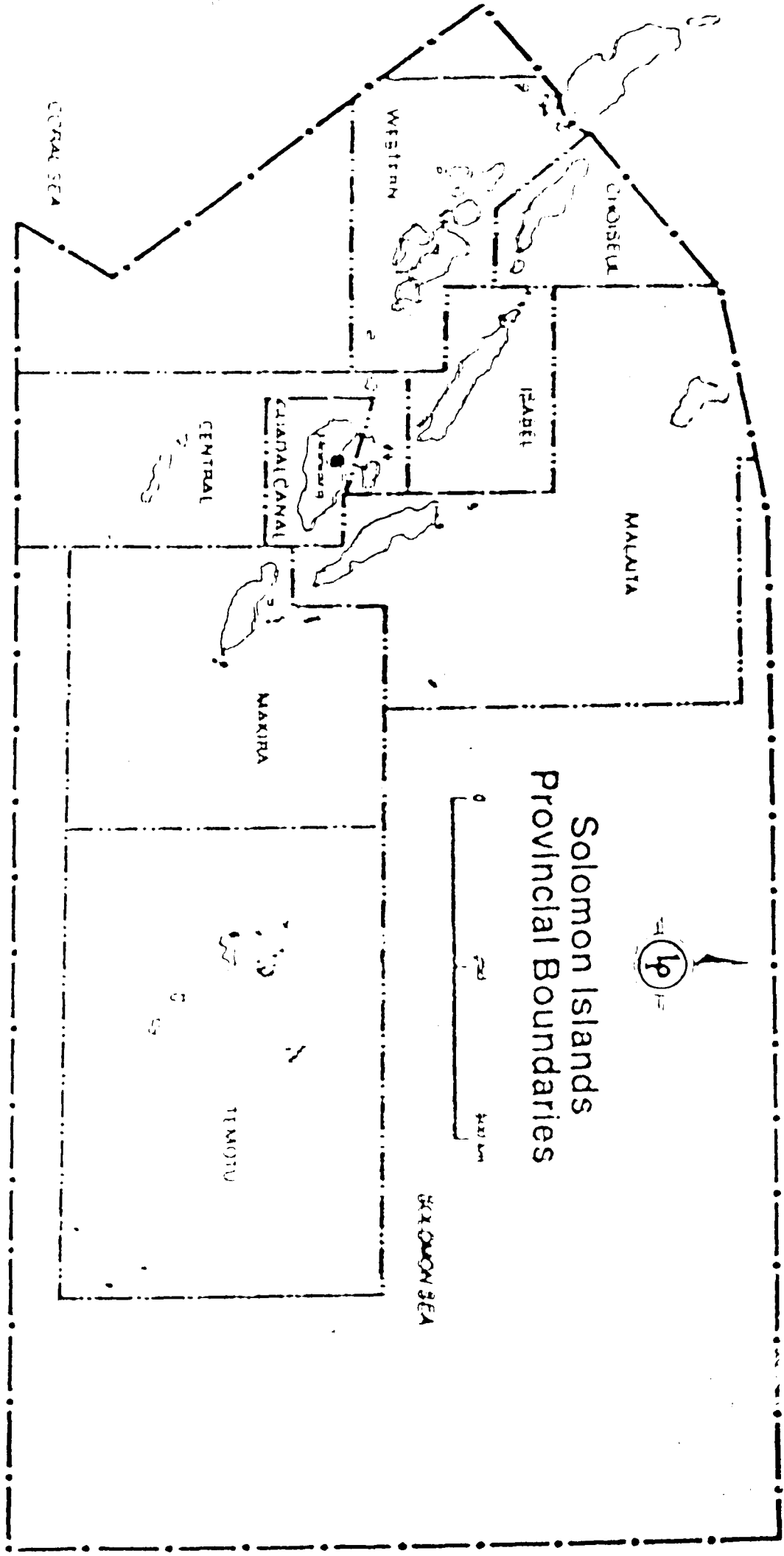
There is a potential market for these products even with the Pacific Region as rich countries such as Australia and New Zealand do not produce such items due to their climatic conditions. As an example, with technical know how on coconut by-products, many industries can be introduced.

Exchange of expertise among Pacific Islands will help Vanuatu to a greater extent. In the case of consumer co-operatives, exchange with Tonga is a good possibility.

7. CO-OPERATIVE MOVEMENT IN SOLOMON ISLANDS

7.1 General Information

- Location:** Solomon Islands is a scattered double chain of islands which extends 1667 Kms. in a south-easterly direction from Bougainville island in Papua New Guinea and found in the South Pacific ocean.
- Area:** Solomons is the third largest archipelago in the South Pacific, covering about 1.35 million sq.km. of sea. The total land area is 27,556 kms. The total number of islands is 922 of which 347 are populated.
- Topography:** Much of the Solomons is covered with dense rain forests with mangrove swamps occurring along the coast. Coral reefs and lagoons surround the islands. The highest mountain is Mt.Makare Kombu in Guadalcanal, having a height of 2447 metres.
- Climate:** Solomons has a tropical climate. Temperatures vary between 21 and 32 deg centigrade with a humidity of 90%. It falls to 69% in August. Average rainfall is about 3500 mm per year. Solomons is a cyclone prone country.
- Population:** 346,000. Out of this, 94.2% are Melanesian, while Polynesians are 3.8%. There are few Micronesians and others. 47% of population is below 15 years of age.
- Annual population growth rate:** 3.4%.
- Infant mortality rate:** 40 for males and 36 for females per 1000 live births.
- Life expectancy:** 70 years.
- Adult literacy rate:** 15%.
- GDP per capita:** S1\$713
- Per capita income:** US\$364
- Language:** Pigin English. In addition there are 63 indigenous languages used.
- Religion:** Christianity
- Government:** Parliamentary democracy with a single legislative assembly. The British Queen is the head of state, with the Governor General elected by the parliament, who act as the Queen's representative.
- Economy:** Rural and subsistence economy. 84% of people live in the rural areas and are subsistence farmers. Government budget is always in deficit, which is filled by borrowing and foreign grants. Trade balance and current account balance has had deficits always. Solomons' growth prospects depend on improved economic management, sustainable use of natural resources, human resource development and providing a long-term environment for private initiatives.
- Land Tenure:** Majority (88%) of the land are under customary tenure. Rest belong to the government and free holders. Foreigners can only lease land for 75 years. Customary lands have individual owners.



CORAL SEA

WESTERN

ISABEL

ISABEL

CENTRAL

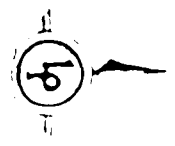
GUADALCANAL CANAL

MALAITA

MAKIRA

TEMOTU

PACIFIC OCEAN



Solomon Islands Provincial Boundaries

Agricultural products: Root crops, banana, vegetables, coconut.

Exports: Timber, fish.

Imports: Consumable (rice, etc.) from Australia and New Zealand. Industrial products from Japan.

7.2 Legal and Administrative Environment of Co-operatives

The present Co-operative Societies Law has been enacted in 1969, when it was a British Protectorate. The first ordinance was promulgated in 1953. Therefore, the law is similar to any other British Co-operative Law. Registrar undertakes to register, inspect, audit, liquidate and settle disputes in co-operatives. He also has powers to dismiss committees, but there is no provision to supersede committees.

The peak of the co-operative movement was in 1980s, when the number of co-operatives reached 240.

The Co-operative Development Division comes under the Ministry of Commerce and Primary Industries. It was set up in 1957. The Division consists of a Registrar and an Assistant Registrar. The total staff of 19 have been distributed in the 6 main geographical regions and the head quarters. The organization chart of the division is given on the following page.

The officers in charge of co-operatives are expected to visit co-operatives monthly and report. During the inspection, they prepare an Income and Expenditure statement in addition to inspection of books. They are also supposed to advise on book keeping and store management to staff and the committee.

Lack of resources prevent officers' visits to co-operatives, which are located in remote islands. They are supplied with canoes for travel between islands and they walk to villages.

The Department does not have a training division. Normally Department officers are sent to Fiji for training.

The Co-operative Division has adopted a policy on co-operatives. The objectives of the division have been spelled out as:

- Promoting and forming co-operatives,
- Assisting and advising established co-operatives to make them economically and socially viable,
- Encouraging Solomon islander owned businesses,
- Encouraging people to participate more directly in their development through self-help,
- Provide appropriate training to co-operative staff.

The Division has undertaken following functions:

- * Supervise operations of co-operatives and provide advice to co-operatives.
- * Conducting feasibility studies.
- * Training and consultancy services.
- * Promotion and development of co-operative enterprises.
- * Training department officers.
- * Undertaking infrastructure development projects.

The Department has a difficulty of communication with co-operatives and its own officers due to communication difficulties among islands.

The department has developed a National Development Plan, covering the period between 1994-1997. After analysing the problems and difficulties of co-operatives, it has identified following projects:

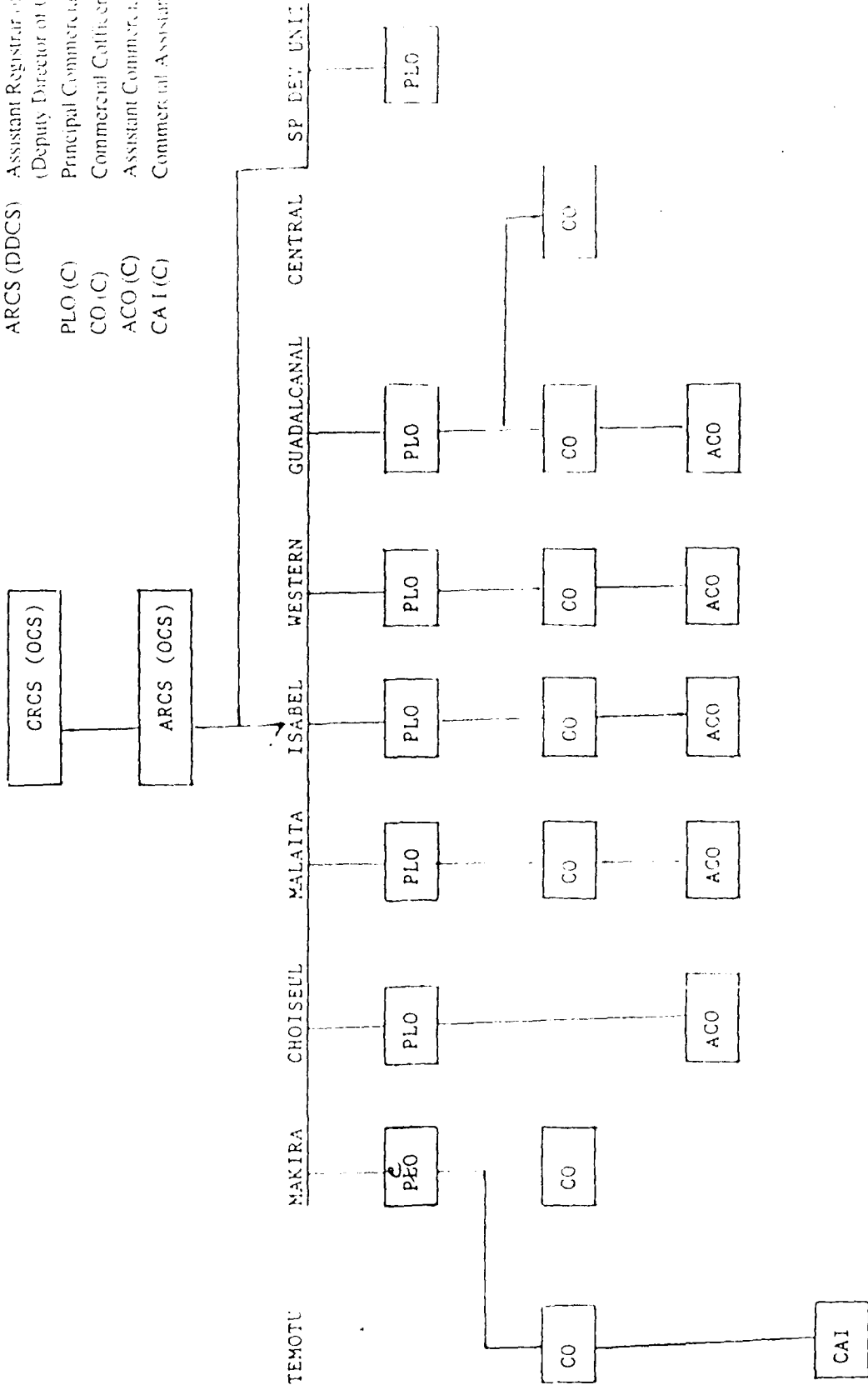
- Computerization of head office,
- Provide transport (replacement of Canoes and provide motor cycles) to officers,
- Constructing staff quarters.
- Develop a Co-operative Training Centre and reinstating the training unit of the Division.

MINISTRY OF COMMERCE & PRIMARY INDUSTRIES
CO-OPERATIVE DEVELOPMENT DIVISION

ORGANISATION CHART

KEY

- CRCS (DCS) Chief Registrar of Co-operative Societies (Director of Co-operative Societies)
- ARCS (DDCS) Assistant Registrar of Co-operative Societies (Deputy Director of Co-operative Societies)
- PLO (C) Principal Commercial Officer (Co-ops)
- CO (C) Commercial Officer (Co-ops)
- ACO (C) Assistant Commercial Officer (Co-ops)
- CAI (C) Commercial Assistant Officer (Co-ops) L-4



STAFFING:

Headquarter	2	Western	3	Makira	2
S. Project Dev.	1	Ysabel	3	Temotu	1
Guadalcanal	2	Malaita	3		
Central	1	Choiseul	1	TOTAL STAFF	19

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5

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54

7.3 Present Status of the Co-operative Movement in the Solomon Islands

The Co-operative Movement was introduced in 1956 by the colonial administration to promote self-help and self-sufficiency. It was to promote good business practices too.

The co-operative movement has been mainly concentrating on the distribution of consumer commodities among people. Later it was expanded to production and marketing fields.

After the peak in 1980, the co-operatives began to collapse one by one due to misuse of credit, bad debts and mismanagement. There was also a Central Co-operative Association established with government support, but in 1978, it has collapsed. Even after reviving it, again it collapsed in 1988. The Association is under liquidation now.

The current information on the co-operatives is as follows:

Types of Co-operatives

<i>Province</i>	<i>Member-ship</i>	<i>Cons.</i>	<i>MPC</i>	<i>LPC</i>	<i>LDC</i>	<i>Saw Mills</i>	<i>Markt.</i>	<i>Fish-ing</i>	<i>Pri-ary</i>	<i>Loan/saving</i>	<i>Total</i>
Guadalcanal	7069	5	-	4	2	-	1	1	2	1	16
Central Islands	930	3	-	-	-	-	-	-	-	-	3
Malaita	1287	3	-	7	-	1	3	-	-	-	14
Makira	965	11	-	-	-	-	-	-	-	-	11
Temotu	1524	8	-	-	-	-	2	-	-	-	10
isabel	1586	13	3	1	-	-	-	-	-	-	17
Western	1574	6	3	1	2	-	-	1	1	-	14
All Provinces	14935	49	6	13	4	1	6	2	3	1	85

Legend: MPC - Multi-purpose Co-op
LPC - Land Purchase Co-op
LDC - Land Development Co-op

(Source: Co-operative Division)

From the visits made to two co-operatives near Honiara, the documented problem issues became evident.

The membership of consumer co-operatives range from 100 to 250 except large ones in Guadalcanal. Therefore, the operations are very small to keep highly paid staff.

Many consumer co-operatives provide consumer goods on credit to members. Normally, the credit sales are interest free. This has caused the collapse of many co-operatives. The losses are normally covered by higher mark-up in the absence of private shops in remote areas. The other disturbing phenomenon is the payment of high patronage dividends, without other reserves. In Ngalibiu consumer co-operative, S\$31,986 was paid as dividends in 1993 from the gross profits of S\$112,339. The salary bill itself in 1993 was S\$32,503.

The co-operatives have an advantage of exemptions from stamp duty and taxes, which shows the commitment on the part of the government to strengthen the co-operatives. Normally, liabilities are more than assets in Solomons' co-operatives, which make them vulnerable (normally about 1.58).

The account keeping is very weak in these co-operatives. Inventory controls are absent. Therefore, one could observe dead stocks being piled up. Another reason is the logistic difficulties to get supplies, which make them procure stocks as buffer for months.

Layout in the shops is poor and display techniques are not elaborate. The shops normally follow counter sales system, except in the case of Solomon Island's consumer co-operative at Honiara.

Cleanliness is not much observed in the shops.

The competence of sales staff is poor due to lack of training. Low literacy rate make difficulties in recruiting qualified staff to co-operatives in rural areas. Monthly stock turnover does not exceed 1 time.

One exceptional experience has been with Solomon Island's consumer co-operative society in Honiara. It has about 4500 members. The society has been organized to import and provide wholesale stocks to primary consumer co-operatives, while running a supermarket at Honiara city (capital).

However, the accumulated loss in 1992 was S\$ 6 million. The society was operating with a share capital of S\$50,000 only. Out of sheer necessity, the society was reorganized and an expatriate manager (an Australian) was recruited. He has taken steps to salvage the co-operative as far as possible by stopping wholesale business for want of capital and trying to recover the money by discount sales on slow moving items and replacing them with quick selling commodities.

The Honiara supermarket today provides a pleasant picture of a modern super market which is hardly visible in Pacific islands, except in Fiji. As the members have a better buying power, the sales have been increasing after reorganization (4 million annually in 1993). Excess staff has been laid off and the present staff is only 30.

Overseas creditors have been worrying the management for recoveries, but the manager has been able to reschedule them to ease the problem.

The new management has also introduced a coffee shop for customers which generates good extra income. Exit cashier counters are ill-equipped but can be tolerated for the time being. Self-service arrangement has become popular in Honiara anyway.

The stock range consist of groceries, household and kitchen items, few electronic items and textiles. Meat and fish products are sold. However, 60% of the items are imported. The rest is bought locally from the suppliers.

The mark-up is normally 30%, which is higher than average. However, it is expected that the profits may be used to cover the accumulated losses. Still, the destiny of this co-operative hangs in the edge. If it is lost, Solomon Island may take a decade to organize a co-operative supermarket again.

The main constraints faced by co-operatives in Solomon Island are as follows:

- Poor transport system, which compel co-operatives to carry heavy stocks,
- Communication problems,
- Lack of business know-how on the part of the staff and committee members,
- Excessive credit trading and poor recoveries,
- Excessive distribution of profits and dividends, leaving no reserves or additional working capital.

In order to overcome these problems and maintain the viability of the co-operative, in spite of logistic problems, following considerations are necessary:

- * Systematic book keeping and monthly preparation of trading and profit and loss account, so that committees can be enlightened.
- * Efficient stock control and verification systems.
- * Introduction of reordering procedures on the demands of consumers.
- * Provide training to staff on store management and customer relations.
- * Providing incentives to managers to purchase local produce and market them on retail and wholesale basis.
- * Increase members' shares and deposits to generate working capital for expansion of business.
- * Educate staff on cleanliness and sanitary conditions of shops.
- * Educate membership on home budgeting and compulsory savings.

- * Educate membership on entrepreneurship.
- * Introduce trade among producer and consumer co-operatives.
- * Reduce the excess payments of dividends by educating membership on its negative results to co-operatives.
- * Terminate credit sales, wherever possible, specially in the case of loss making co-operatives.

7.4 Ideas for Future

Solomon Islands Consumer Co-operative Society could serve as a best option to import and supply of goods to primary co-operatives, provided its liquidity is increased. More equity capital is required, part of which can be collected from better functioning co-operatives, while agreeing to supply stocks on credit to a maximum credit limit.

At least few department staff members should be trained in modern store management approaches, financial management and member relations activities. They could take initiative to introduce better management systems.

Review of co-operative legislation is essential, although it does not threaten the co-operatives at present, due to the understanding of the department staff.

Purchase and marketing of local consumer products on consignment basis is another way of expanding business for consumer co-operatives.

The type of co-operatives that are needed for the emerging economy is an area for consideration. For an example, as the size of consumer co-operatives are very small, they could be converted into multi-purpose co-operatives, so that there is a possibility of improving the turnover and the viability.

8. CO-OPERATIVE MOVEMENT IN PAPUA NEW GUINEA

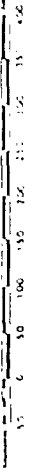
8.1 General Information

- Location:** Papua New Guinea (PNG) is located just below the equator having Bismark Sea to the north and Coral sea to the south. It is a part of the main PNG island, which makes up 85% of its land mass and some 600 offshore islands. It is located about 160 kms. to the north of Australia.
- Area:** PNG has a land area of 461,700 sq.k.m. and is one of the largest countries in the South Pacific.
- Topography:** PNG has a tropical climate and 80% of it is covered in forest. This forest is considered as one of the rare virgin forests in the World. PNG also has high mountains and volcanos. Low lying swamps is another phenomenon. Two of the larger rivers are navigable for 800 kms. The coast line is ringed by coral reefs with a deep, landlocked and picturesque harbour.
- Climate:** The climate is tropical and monsoonal. Average rainfall is 2000 mm per year. Average temperatures varies from 21 to 32 deg.C.
- Population:** 4.1 million
- Annual population growth rate:** 2.3%
- Infant mortality rate:** 55 for 1000 live births
- Life expectancy:** 55.3 years
- Adult literacy rate:** 65.3%
- GDP per capita:** US\$ 1550
- Per capita GNP:** US\$ 830
- Language:** English, Tok Pisin and Motu are widely used.
- Religion:** Christian.
- Government:** PNG became independent in 1975 from British, German and Australian colonial administrators. PNG maintains a parliamentary democracy with a single house and has largely autonomous provincial governments and governments in large islands. Many secessionist political movements have emerged in New Britain and Bougainville. Manus, New Ireland and New Britain have attempted to form a federated Melanesian Republic by breaking away from PNG. The central government is unstable.
- Economy:** PNG has a dual economy - one with commercial plantations and expatriate investment on industries and services, and another with subsistence farming concentrated among indigenous people. The GDP growth rate in 1980-91 is 210%. The budget deficit in 1994 have been 5% of the GDP-Kina 244 million, which had to be covered mainly

PAPUA NEW GUINEA

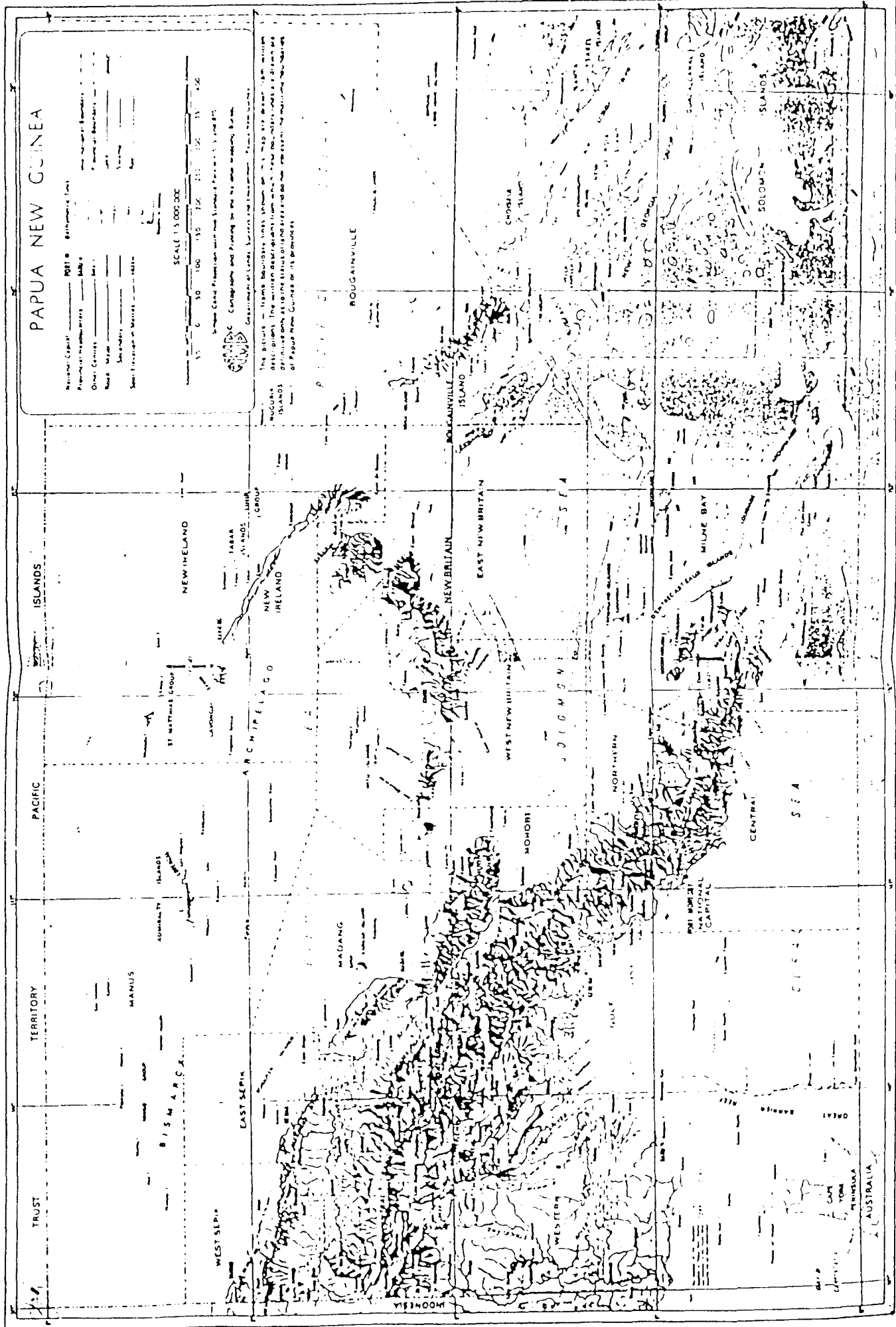
Political Capital: **PORT Moresby**
 Principal Languages: **English**
 Other Capitals: **None**
 Head of State: **Queen Elizabeth II**
 Government: **Parliamentary Democracy**
 Main Religion: **Christianity**
 Main Industry: **Primary Products**
 Main Export: **Primary Products**
 Main Import: **Manufactured Goods**

SCALE 1:5,000,000



Source: Central Intelligence Agency, *The World Factbook*, 1997
 Cartography and Printing by the National Geographic Society

The Islands - Islands which have been under the administration of the United Kingdom since 1975 are shown in a lighter shade. The islands of Bougainville, New Britain, New Guinea, and the Milne Bay Islands are shown in a darker shade. The islands of Bougainville, New Britain, New Guinea, and the Milne Bay Islands are shown in a darker shade. The islands of Bougainville, New Britain, New Guinea, and the Milne Bay Islands are shown in a darker shade.



from foreign assistance. Balance of payment deficit for 1994 was US\$ 838 million.

PNG is blessed with various highly expensive mineral deposits, but the extraction is done by foreign companies. Gold is the most important mining at present.

PNG succeeded in joining APEC which would grant many concessions and protective agreements.

Land Tenure: Mainly native owned land areas with small percentage of free holding land and government owned land.

Agricultural products: Coffee, Cocoa, copra, palm oil, rubber and timber.

Exports: Gold, copper, tree crops and timber.

PNG has a Human Development Value of 0.408 between 0-1 in 1994 and ranked 129 from 173 countries in the World.

8.2 Legal and Administrative Environment of Co-operatives

PNG co-operatives had ups and downs from 1960 when the Co-operative Act was enacted. In 1975, a new act was approved. Again this was modified by the current Act introduced in 1981 as a private member's bill by Sir John Guise, the founder of Co-operative Movement in PNG.

There are few more acts on co-operatives which have been in use: The Missions Group Act, Co-operative Companies Act and the Co-operatives Act.

All co-operative societies have been de-registered in 1991, after functioning for couple of decades with mixed results. The Registrar of Co-operatives and his entire staff have been detailed to finalise the liquidation process.

There had been some attempts by the Department of Fisheries and the Department of Agriculture, but WITHOUT RESULTS. Failure to agree on appropriate size and form of co-operative were basic reasons for the failure. The levies collected from co-operatives have been invested in Australia by PNG Co-operative Investment Ltd., which has fallen due to devaluation of Australian Dollar, as against Kina. Revitalization of co-operatives is not popular due to many economic and social reasons.

However, WoCCU in collaboration with Credit Union Foundation of Australia has launched a project to support Credit Unions of PNG.

8.3 Present Status and the Future Possibilities of Co-operatives in PNG

As mentioned earlier, the hitherto registered co-operatives are under liquidation at present. With the given circumstances, it is unlikely that co-operatives will be revived in the present form, in spite of some attempts by ILO earlier.

However, progress of the WoCCU project is yet to be seen.

Recently, the Small Business Development Corporation (SBDC), a para-statal body registered in 1990, has shown interest in the promotion of new types of co-operatives. The SBDC is aiming at developing entrepreneurship among indigenous people and provide resources to them to start enterprises on self-employment basis.

The SBDC has promoted an NGO titled PNG National Business Association (NBA) which in turn expects to work with co-operatives. Some of the objectives of the NBA are identical to a co-operative promotional agency:

“(F) To organize and assist its affiliated members on principles of self-help and solidarity as one key tool to personal, business and group development.

- H) To organize and manage all kinds of economic, social activities that are to the benefit and welfare of its affiliated members. This shall include the power to register a company, a savings and loan facility, a co-operative, or other corporate body which may be authorised by Law."

Therefore, until such time the legal procedures are sorted out with the registered co-operatives, which may take about half a decade, any attempt to organize co-operatives could work with the NBA and SBDC.

PNG NBA works through 20 provincial business associations, located all over the country. It has institutional membership (2 delegates from each regional association) except for honorary members who are appointed by the executive committee of the NBA.

The co-operatives are required to become members of their respective Regional Business Associations.

NBA has given interpretation to National Business as indigenous business as defined by the Investment Promotion Authority. This restricts the membership to local entrepreneurs who basically manage family businesses.

The focus of NBA is in the field of retail consumer business, agriculture and small scale manufacturing.

In addition, there are possibilities in export-oriented industries such as timber products, marine products and canning.

In order to meet the problem of de-registration of co-operatives, many self-help groups and individuals have gone into private business. Earlier, essential consumer commodities have been supplied to villages by co-operatives. There had also been quite a number of producer co-operatives too.

As the foreign investment is heavily concentrated in mining, logging and extracting natural resources, the local population, who have a low literacy rate, have to survive through group activity. As their living standards (73% of total population live in absolute poverty between 1990-94) are very low, the enterprises they could enter into should have low scale capital investment, thus forcing them to work on group basis, if not family businesses. The rural population is also threatened by unchecked logging by Malaysian and Australian companies and indiscriminate mining by many foreign companies.

Therefore, the local communities would need to introduce alternative eco-culture with sustainable development. Otherwise, they will be compelled to be dependent on foreign assistance and investment in industries and plantations which damage the ecological balance. Co-operatives is the only form of group economic institution which would fit into homogenous tribes in rural areas.

**ICA ROAP CONSULTANCY MISSION TO FIJI
ON CONSUMER CO-OPERATIVES**

TERMS OF REFERENCE

BACKGROUND

The Chairman, Fiji Co-operative Union made a request to the ICA Regional Office for Asia and the Pacific, in April, 1993, for technical assistance to Fijian Consumer Co-operative Movement. The request has been taken up for discussion with the JCCU subsequently. Mr. M. Ohya, Executive Director of the JCCU agreed to bear the cost of the study involved. In consultation with the Fiji Co-operative Union, the study has been decided to be carried out during early part of 1994.

THE OBJECTIVES OF THE STUDY:

(As per the request made by the Chairman, Fiji Co-operative Union, vide letter dated 16.04.1993)

- i) To identify appropriate strategies for consolidating activities of primary and secondary co-operatives.
- ii) To evolve a strategy for acceleration of the promotion of agricultural production and marketing co-operative ventures in close co-operation with the Department of Agriculture and the National Trading Corporation Ltd.
- iii) To suggest ways and means of promoting savings and family budget in rural communities.

GEOGRAPHICAL AREA TO BE COVERED:

All islands where co-operatives are located.

TIME DURATION:

20 February to 12 March, 1994 (inclusive of travel dates).

TYPE OF CO-OPERATIVES TO BE COVERED:

Consumer Co-operatives or Multi-purpose co-operatives with consumer functions.

METHODOLOGY OF THE STUDY:

1. Data collection and analysis:

- gathering and analysis of performance records of maximum number of co-operatives,
- study the socio-economic policies of the government which affect the performance and progress of co-operatives,
- study legal aspects of co-operatives in relation to their functions.

2. Interviews and discussions:

- Discussion with government policy makers - Department of Agriculture, National Trading Corporation and Registrar of Co-operatives as well as Principal of the National Co-operative College and any other relevant government institutions involved.
- Discussion with the national level co-operative leaders - National Union and any other federations.
- Interview the Chairpersons and the management committees of the co-operatives selected.
- Interview some samples of co-operative members including women members.
- Interview some general public members who are not members of co-operatives.

3. Observations:

- Observation of on-going trading activities of the co-operatives selected.
- Observation of production and processing activities of co-operatives.
- Observation of physical facilities, shops and transport facilities of the co-operatives selected.
- Observation of trading activities and facilities at wholesale markets, private traders establishments and village fairs if any.

OUTPUT

A comprehensive study report with suggestions for further action at various levels.

INPUT

- Two (or one) consultant from the ICA ROAP
- Counterpart support through co-ordination and support for interpretation from Fiji Union.
- Financial support for the study from JCCU.

FIELD VISITS PROGRAMME OF THE MISSION

1. Travel Schedule in Fiji

Sunday 15 May, 1994	Arrival in Sydney
Monday 16 May, 1994	
a.m.	Leave Nadi for Suva
2.30 p.m.	Meet with DRCS
Tuesday 17 May, 1994	
8.30 a.m.	Meeting with Ministry officials and Fiji Co-operative Union Officials.
Wednesday, 18 May, 1994	
10.00 a.m.	Meet with Mr. Stephan Schmidt, Officer in charge, ILO, Suva / discussions.
2.30 p.m.	Meet with Fiji Co-operative Union officials and study documentation.
Thursday, 19 May, 1994	Depart Suva for Sigatoka Briefing by co-operative officer, Sigatoka on Co-operative Development in Nadroga/Navosa Visit Nayawa Women's Co-operative Society Ltd. Visit Volivoli Co-operative Society Ltd. Stay in Cathay Hotel, Lautoka.
Friday, 20 May, 1994	Briefing in Lautoka office by Actg. Senior Co-operative Officer (W) on Co-operative Development in Western Division. Briefs on Moala Co-operative Society and Nawaka Co-operative Society by O.C. Nadi Office. Visit Moala Co-operative Society Ltd. 11.00 a.m. Visit Nawaka Co-operative Society Ltd. 3.00 p.m. Visit Lauwaki Co-operative Society Ltd. Stay in Cathay Hotel, Lautoka.
Saturday, 21 May, 1994	Attend Cane Farmers Co-operative Savings and Loans Association Ltd. (CCSLA), Annual General Meeting
Sunday, 22 May, 1994	Free
Monday, 23 May, 1994	Leave Suva by Plane for Labasa Briefing in the office by SCO Northern - Co-operative Development, Northern Division. Visit Dama Nasau Visit Wainunu Co-operative Society Ltd. Stay at Takiya Hotel.

Tuesday, 24 May, 1994 Visit Vesitagitagi Co-operative Society Ltd.
Visit Yaroi Women's Co-operative Society Ltd.
Stay at Hotspring Hotel, Savusavu. Visit to Tonga

Travel Schedule in Tonga

Wed, 25 May 94 Arrival at Fua'amootu airport

Thu'26th May 94

10.00 a.m. Mr.Sione U. Tangi, Assistant Registrar of Co-operatives at Co-operative Office.

2.00 p.m. Secretary Manager, Tonga Co-operative Federation (Mr. Amanaki Paea) at TCF Office, Tungi Arcade.
TCF Warehouse.

Fri.,27th May 94

10.00 a.m. Ha'asini Co-operative Society

11.00 a.m. 'Ahiohio Co-operative Society

12.00 noon Tavana Family Co-operative Society

2.00 p.m. Mapu 'a Vaca Co-operative Society

3.00 p.m. Toahola Co-operative Society

4.00 p.m. Ha'inga Melino Co-operative Society

Sat, 28 May 94

09.00 a.m. Depart to Fiji Tuesday, 31 May, 1994

Travel Schedule in Fiji (contd.)

08.30 a.m. Briefing by SCO, Central and CO, Suva Naitasiri on Co-operative Development in Central Division.

10.00 a.m. Visit Raiwaqa Co-operative Society Ltd.

02.30 p.m. Visit Delainavesi Co-operative Society Ltd.

Wednesday, 01 June, 1994

09.00 a.m. Visit Veiqaravi Co-operative Society Ltd.

p.m. Discussions with Fiji Co-operative Union and Co-operative Department officials.

Thursday, 02 June, 1994 Discussion with Fiji Co-op Union and Co-op Department officials.

Saturday, 04 June, 1994 Free

Depart for Vanuatu Visit to Vanuatu

Travel Schedule in Vanuatu

Sat., 4th June, 94

10.00 a.m. Arrive Port Vila from Nadi and book in hotel. Week end free.

Mon, 6th June, 94

08.00 a.m. Department of Co-op & Rural Business Development (Tel.22854) Head-quarter senior officer.

- 10.30 a.m. Vanuatu Co-operative Federation (Tel.22369)
Mr. Ores Orission - Manager.
- 13.30 p.m. Business Management Services - BMS (Tel.25131)
Mr.Kalfau Esley - Principal Consultant
Ms.Adorina D'Arcy - Business Dev. Advisor
- 15.00 p.m. Ministry of Economic Affairs (Tel.26020)
The Hon.Minister Serve Vohor

Tue, 7th June, 94

- 08.00 a.m. Visit co-operative societies around Efate Island.

Wed, 8th June,94

- 07.15 a.m. Fly to Tanna to visit co-operative societies on the island and return to Vila
17.15 p.m.

Thu', 9th June, 94

- 08.00 a.m. Department of Co-operatives & Rural Business Development Senior Staff
- 13.20 p.m. Depart Port Vila for Honiara.Visit to Solomon Islands

Travel Schedule in Solomon Islands

9th June, 94 15.30 p.m. Arrival in Honiara

Briefing by Mr. A.Wlewa, Deputy Registrar.

10th June,94

Holiday

09.30 a.m. Visit to Solomon Island Palm Olive Federation Consumer Co-op (NINI)

11.00 a.m. Visit to Ngalimbin Consumers Co-operative

15.00 p.m. Visit to Solomon Island Consumer Co-operative

11th June,94

08.30 a.m. Discussion with Mr. Robert Gee at Solomon Islands Consumer Co-operative.

12th June, 94

11.10 a.m. Departure for Port Moresby Visit to Papua New Guinea

Travel Schedule in Papua New Guinea

12th June, 94 13.20 Arrival in Port Moresby

13th June, 94 Holiday

14th June, 94 09.00 a.m. Discussion with Mr. Stanislaw Am Tao and other officers at SBDC.

15th June, 94 16.30 p.m. Departure for Singapore.

LIST OF CONTACT PERSONS IN PACIFIC ISLANDS

FIJI

1. Mr. A.P. Sharma, Registrar and Director of Co-operatives, Fiji and Chief Executive of Fiji Co-operative Union, Vanua House, 5th floor, Victoria Parade, Suva, Fiji: Tel.(679)314359/314675; Fax:(679)303431.
2. Mr. K.B.Matalau, Chairman, Fiji Co-operative Union.
3. Mr.Simione Naiduki, Fiji Co-operative Union.
4. Mr. Pologa Matanatabu, Principal, Co-operative Training Institute, Lami, Fiji.(or C/o. Co-operative Department, P O Box 2356, Govt. Buildings, Suva, Fiji) Tel.(679)361552/362479; Fax: (679)303431
5. Mr. Stephen Schmidt Degenhardt, Small Enterprise and Co-operative Development Officer, ILO, Ratu Sukuna House, P O Box 14500, Suva, Fiji; Tel.313866/313146; Fax:300248; Telex: 2266 Interlab.
6. Mr. Anurudha Singh, Senior Co-operative Officer and his staff, Sigatoka.
7. Mr. M. Ram, Senior Co-operative Officer (Western) and his staff.
8. Mr. V. Waqaiwai, Co-operative Officer, Suva.
9. Mrs. Nasi, Co-operative Officer, Nadi.
10. Mr. Makarawa, Senior Co-operative Officer, Suva.

KINGDOM OF TONGA

1. Mr. S. U. Tangi, Acting Registrar of Co-operatives.
2. Mr. V. Manu, Chief Audit Officer.
3. Mr. MA'U Havea, Secretary/Manager, Friendly Islands Marketing Co-operative Ltd., Bypass Road (Opp.SIC), P O Box 523, Nuku'alofa, Tonga; Tel.(676)21988/23779; Fax: (676)23928
4. Mr. Amanaki Paca, Secretary/Manager and staff, Tonga Co-operative Federation.

VANUATU

1. Mr. Robert Figa, Director, Department of Co-operatives & Rural Business Development, P.M.B.032, Port Vila, Rep.of Vanuatu; Tel.(678)25317/22854; Fax: (678)22596
2. Mr. Peter Rutherford, Finance Advisor
3. Mr. H. Toriello, Deputy Director
4. Ms. Adorina D'Arcy, Advisor-BMS.
5. Mr. Alfred Maliu, Secretary to the Hon. Minister of Economic Affairs.
6. Mr. Antonio Tal, Regional Co-operative Officer, Tama.
7. Mr. Ores Orisson, Manager, Vanautu Co-operative Federation.
8. Mr.Kalfau Esley, Principal Consultant, Business Management Services, P O Box 1328, Port Vila, Vanuatu (Tel.25131

SOLOMON ISLANDS

1. Mr. Abraham Waleno, Deputy Registrar of Co-operatives, Honiara.
2. Mr. Bruce Gee, General Manager, Solomon Islands Co-op Society, P O Box 526, Honiara, Solomon Islands ; Phone:677-21798; Fax:677/23640

PAPUA NEW GUINEA

1. Mr. Alois G. Lavu, Managing Director, SBDC, P O Box 481, Boroko, N.C.D., PNG, Tel:250100/
Fax:253725
2. Mr. Stanislaw S. Tao, Operations Manager, Small Business Development Corporation.
3. Mr. Emmanuel B. Raussi, Information Coordinator, SBDC; P O Box 481, Port Moresby, Papua
New Guinea Tel.232748; Fax:232760/232706
4. Mr. Joseph Malir, Training Coordinator, SBDC.
5. Mr. Anton Yagama, Chairman, Small Business Dev. Coproration, Head Office, P O Box 78, Port
Moresby, NCD Tel: 229744; Fax: 211984; Telex: 22209

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D) Tonga

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