

STRATEGIES FOR THE DEVELOPMENT OF CONSUMER COOPERATIVE MOVEMENTS IN ASIA

REPORT



1988



International Cooperative Alliance
Regional Office for Asia - New Delhi

**Strategies for the Development
of Consumer Cooperative
Movements in Asia**

REPORT

Of the Workshop held at Kuala Lumpur, Malaysia
December 05-09, 1988

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* Regional Office for Asia - New Delhi

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This report was compiled and edited by W U Herath,
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New Delhi

01. FOREWORD

By

Mr.G.K.Sharma

ICA has been concerned with consumers' interest and consumer cooperatives since its inception. Considering the importance of consumers' interest, ICA adopted an International Declaration of Consumers Rights in the year 1969 and ICA's Consumers Committee has been very active in this regard.

In the Asian Region, consumers cooperatives have been established practically in all countries but in most countries they have to go a long way. Consumers Cooperatives have to ensure supply of quality goods at reasonable rates in competition with private trade who have different values and objects. They even often lack support from their members for whom they are supposed to operate.

The Regional Workshop in Kuala Lumpur was an attempt to review the present position of consumer cooperatives in the Asian Region and arrive at some agreed suggestions and recommendations to be followed and implemented by the national movements to strengthen the consumer cooperatives at various levels. The workshop has made concrete and extensive suggestions in this regard. I am sure the report will be very useful reference material for those who are concerned with consumer cooperatives and the national movements would be able to take up follow-up action on these recommendations.

I would like to place on record my appreciation and thanks on behalf of the ICA ROA and to all those who extended their support in organizing the workshop and particularly the Chairman of the Consumers Sub-Committee, Mr.M.Ohya, and experts from Japan who attended the workshop throughout and provided technical support and Mr.Upali Herath who was responsible for the workshop and publication of this report.

02.CONCLUSIONS AND RECOMMENDATIONS

I. GOVERNMENT POLICY

- 1.1 Governments' financial assistance for setting up and running of consumer cooperatives is called for in least developed countries. This should be made available on easy terms. Governments should also extend outright grants without attaching conditions in any form.
- 1.2 Wherever the governments do not provide timely audit free of charge, the consumer cooperatives should be allowed to retain their own auditors.
- 1.3 In the countries where a clear national policy on cooperatives do not exist, those governments should formulate and declare such a policy.
- 1.4 It is seen that in some countries of the Region, no tax is imposed on consumer cooperatives. Such concessions should be universally followed by all other countries in the Region.
- 1.5 The local laws in no country should be restrictive which cause hindrance for the growth of activities of consumer cooperatives.
- 1.6 There should not be any interference on the autonomous functioning of consumer cooperatives either by Law or executive actions.

II. MANAGEMENT

- 2.1 Cooperative movements in many countries in the Region are unable to secure the services of competent and motivated staff and do not have adequate facilities to undertake training.

The workshop recommends that more advanced countries may extend their support and assistance in organizing manpower development plans and strategies by lending their training facilities as may be sought.
- 2.2 The consumer cooperative movements in the Region should formulate their own manpower development policies and plans where they are not available.

- 2.3 The consumer cooperatives at this stage have to largely procure their goods from private manufacturers or distributors. They should concentrate on developing cooperative manufacturers and distributors.
- 2.4 In the countries where national consumer cooperative federations do not exist, action should be taken to organize such federations. Such federations should take up the role of central procurer, distributor, transporter and guide for its members.
- 2.5 Traditional management system cannot carry forward the movement much further. It is therefore recommended that modern methods of management be introduced as prevailing in private sector, which will ensure lower cost of operations and result in surpluses.

III. INCREASE OF MEMBERSHIP AND THEIR ACTIVE PARTICIPATION

- 3.1 In countries where no mechanisms exist for securing active participation of members in the operations and management of cooperatives, such mechanisms and strategies should be evolved.
- 3.2 The cooperative movements must attempt firstly to increase their membership and secondly to encourage existing members to increase their shares.
- 3.3 The management of cooperatives must regularly elicit the views and opinions of its members. They must conduct their operations in accordance with the views and opinions of members in order to ensure total satisfaction of its members.
- 3.4 Management must regularly inform all its members about the operations of their cooperative society.
- 3.5 The cooperative society should evolve strategies to maintain proper bilateral communication systems within the society in order to maintain close relations with the membership.
- 3.6 The consumer cooperatives should promote and encourage active participation of housewives in the movement on a larger scale. The concept of family membership could be adopted for that purpose.

03 WORKSHOP PROCEEDINGS

The ICA Regional workshop on **Evolving an appropriate strategy for the promotion and development of effective and sound consumer cooperative movements in the Region** was held from 5-9 December, 1988 at Hotel KL International, Kuala Lumpur, Malaysia.

OBJECTIVES OF THE WORKSHOP

The objectives of the workshop were as follows:

To enable cooperative leaders and executives of consumer cooperatives:

- i) To assess the current situation in regard to the consumer cooperative movements in the Region, and
- ii) To identify an appropriate strategy for the development of sound and effective consumer cooperative movements in their respective countries in the light of the experience gained by few successful consumer cooperative movements in the Region.

Mr.M.Ohya, Executive Director of Japanese Consumers Cooperative Union (JCCU) and the Chairman of the ICA Sub-Committee on Consumer Cooperation for Asia functioned as the Workshop chairman.

Messrs.W.U.Herath of the ICA ROA and Mr.S.Ohta of the JCCU served as coordinators of the workshop.

Following resource persons assisted the workshop through their guidance:

- i) Mr.G.K.Sharma, Regional Director, ICA ROA,
- ii) Mr.Bishan Singh Bahadur, Chairman, Federation of Malaysian Consumer Associations (FOMCA), and
- iii) Mr.Andrew Aeria, Education and Training Officer, International Organization of Consumer Unions (IOCU) Regional Office for Asia and the Pacific.

17 participants from Bangladesh, India, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Sri Lanka and Thailand participated at the workshop. 3 observers from Malaysia were also present at the workshop. A complete list of participants and observers is given as an Appendix.

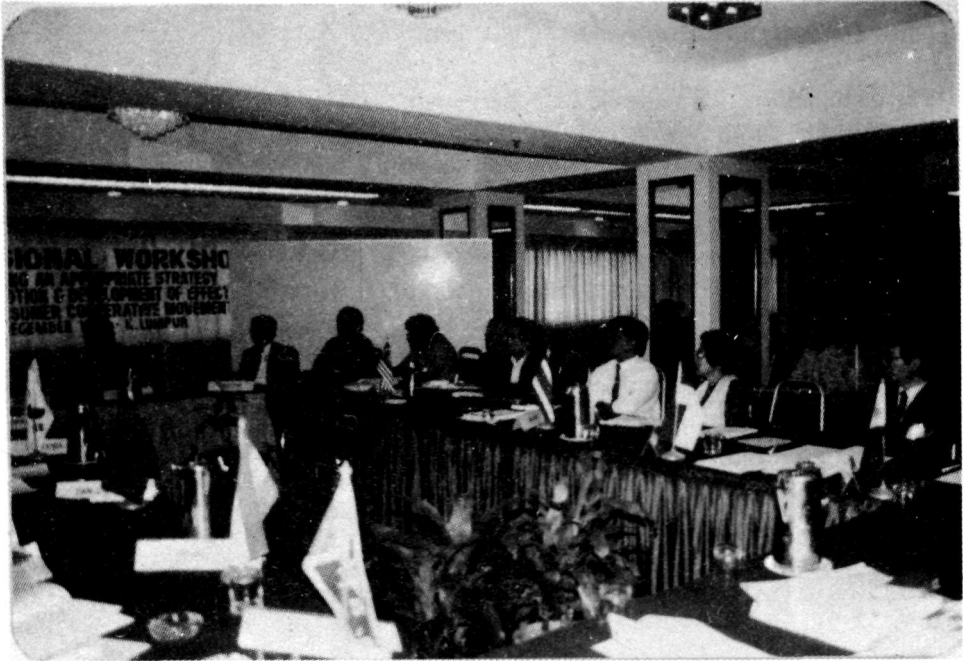
INAUGURAL SESSION

The inaugural session was held on 5 December 1988 at 10.00 a.m. at Hotel KL International in the workshop room. The Hon.Dy.Minister for Rural and national development, Dato' Mohd.Tajol Rosli bin Mohd Ghazali, was invited to open the workshop but he was unable to be present due to unavoidable circumstances. Mr.Tuan Haj Abdul Aziz bin Abdul Wahab, Director General of Cooperative Development, read out the opening speech of the Hon'ble Dy.Minister in his absence. While welcoming the members of the workshop, he said that the workshop is a very timely and relevant event in Malaysia in order to provide opportunity for them to examine the status of consumer cooperative movement with the help of experienced resource persons.

The Hon'ble Dy.Minister has emphasized the need to compare the traditions existing among the countries in the Region and to have more focus on some ethics, which will help the countries in the Region together and to determine how they run their institutions to become more successful.



Mr. Tuan Haji Abdul Aziz bin Abdul Wahab (in the middle) delivering the inaugural speech at the workshop on December 5, 1988.



Workshop proceedings..

Quoting the history of Malaysian Cooperative movement from 1930s, he indicated that although the consumer cooperatives which are 245 in number have served the community for a long time, the absence of a strong and influential wholesale cooperative union has become a major setback in Malaysia. Build up of the movement by continuous support of the members/users in a traditional way has not been very successful. The membership in the cooperatives have been limited which has resulted in not achieving promising results as cooperatives. Some operated retail chains which have become uncontrollable due to over expenditure. The small cooperatives suffer from high over heads. They also suffer from lack of cooperation among themselves.

He expressed the need to adopt modern concepts of viable cooperative organizations with bigger membership with sufficient capital to be managed by competent and dedicated personnel.

He expressed the hope of expanding such consumer cooperatives to form a suitable apex, which will help the participating cooperatives in marketing consumer goods for the member organizations. To enhance the operations of the consumer cooperative shops, it is also necessary to undertake serious studies on market information and market intelligence in respect of goods that are to be traded out or marketed.

Finally, he emphasized on the main challenge faced by the consumer cooperatives in the decade which is to maintain and uphold the cooperative identity.

Messrs.G.K.Sharma; Regional Director of ICA ROA and Mr.M.Ohya, Chairman of the ICA Sub-Committee on Consumer Cooperation for Asia also spoke at the inaugural session.

WORKSHOP PROCEEDINGS

The workshop commenced its proceedings with the introduction of participants by themselves. Mr. Herath gave explanation in regard to the objectives and methodology of the workshop as described above.

Mr.G.K.Sharma, the Regional Director of ICA ROA, gave a presentation on the overall situation in the Region in regard to the development of cooperative movements and the role of ICA in promoting and assisting their development. He gave a detailed description of the structure of the ICA and the assistance provided by many donor countries, including Sweden, Japan and Canada. His presentation appears as an appendix.

Thereafter, the participants of each country presented their Country Papers highlighting problems of development faced by their consumer cooperative movements. They provided a realistic assessment of the level of development at present.

With the background of the presentation of country papers, the workshop was divided into 3 groups on December 6,1988 and discussed the common problems which could be identified as faced by the consumer cooperative movements in the Region. The groups spent the entire day and presented their report on the 7th December,1988 at a plenary session where group consensus were obtained about the common assessment. In order to identify alternative strategies that could be evolved in dealing with such common problems, several resource papers were presented by the Federation of Malaysian Consumer Associations (FOMCA), International Organization of Consumers Unions (IOCU), International Cooperative Alliance (ICA) and also some case studies submitted by Japan, India and Singapore. These presentations gave broader view about the general aspects of consumerism as well as technical aspects of managing consumer business operations. They also high-lighted certain success stories in the cooperative sectors. These presentations also served as food for thought for the formulation of possible strategies during the later part of the workshop. The groups again were divided into 3 sub-groups on the 8th December, who discussed alternative strategies for the development of consumer cooperatives in the Region. They presented their group reports during the plenary session held on the afternoon of 8th December,88 where the alternative strategies were thoroughly discussed. Subsequently the Chairmen and secretaries of the groups who formed the final drafting committee sat separately and formulated the workshop Conclusions and

Recommendation, which was adopted by the plenary session during the late hours of December 8, 1988. The Conclusions and Recommendations appear as a separate chapter of this report.



Mr. Bishan Singh Bahadur, a resource person presents his paper



A workshop member makes a point.

ANGKASA with the help of their sister cooperatives arranged a field study visit to one of the biggest Komart Supermarkets in the City and also Prokop Store in Kuala Lumpur.

The participants departure was on the 10th December, 1988.

The group reports and the resource papers appear as appendices in the report.

05. GROUP REPORTS

ASSESSMENT OF THE CURRENT SITUATION OF CONSUMER COOPERATIVE DEVELOPMENT IN THE REGION

GROUP I

Group Members:

Mr. Sheikh Abd. Kadir bin Ahmad	- Malaysia	Chairman
Mr. Peter Chan	- Singapore	Secretary
Mr. S. A. Dissanayake	- Sri Lanka	
Mr. Emilio Dilan	- Philippines	
Mr. Shahidullah	- Bangladesh	
Mrs. Ashrafun Mosharaf	- Bangladesh	

GOVERNMENT POLICY

A. Financing

In general, most members' governments do not finance the cooperatives, except Malaysia and Sri Lanka.

The reasons:

a. Most members' countries are at a developing stage after independence. A lot of priority is given to basic structure and basic essentials, for example, Philippines and Sri Lanka are agriculture based with a lot of efforts have been put in by the government to build and support this sector, the agricultural cooperatives, for example in these countries have good financial support from the government.

The consumer cooperatives in these countries are being placed at the secondary level. Due to limited resources, the governments are not active in financing these cooperatives.

b. Because of immense dimension of problems which created by the size of the countries and the big number of cooperatives, limited help received from the government will not be seen and useful at all.

In Malaysia, the government supported with a 2 million dollar revolving fund for all cooperatives. The application is open to all cooperatives.

Singapore cooperatives being part of the labour movement, the fund

required to start a cooperative is financed by the NTUC (Apex body of Union).

In most members' countries, progress has been made as regards to the government support, as revealed through exchange of ideas during the workshop, for example, Bangladesh is announcing shortly its national policy on cooperatives.

B. Supervision and Audit

In general, all members' countries have auditing function by the government ministry or by the Apex of cooperatives. In Philippines, CUP (Cooperative Union of the Philippines) has a committee of audit and employ certified accountants to do the job.

In Malaysia, the ANGKASA (Apex) perform an advisory role in auditing. Other than this, they do full scale auditing as well.

In Sri Lanka the department of cooperative is doing the audit and Singapore registry of cooperative society and SNCF are doing the auditing.

In Bangladesh, it is suggested by the representative, that the registry of cooperative should do only the supervision but giving the auditing function to another body-for example-auditor general for audit and judiciary function should be by the tribunal cooperative.

Because of the efficient managements in the system of auditing, and supervision of cooperative accounts, fraudulence cases are rare and remote. Ofcourse, frauds happen and happened in various countries. The members felt that by using present audit and supervision system and tightening the auditing procedure with more frequent checks on accounts should be able to plug the leakages.

The group also felt that heavier punishment for defaulters could help in this.

C. Annual General Meeting

Annual General Meeting serves as a good check on the idling BOD and its staff. Every member country has their own time limit for AGM to be held.

Time schedule of the AGM to be held (i) Sri Lanka and Singapore : 6 months after close of financial year (2) Bangladesh : Every year, (3) Philippines: Annually, (4) Malaysia : yearly.

taxed. New legislation is exempting intercoop profit from tax in future.

- iv) Malaysia
Cooperatives with capital of less than 500,000 is exempted from any tax.
- v) Sri Lanka
Cooperatives are paying full tax as other commercially run organizations. Members felt that if there is no full exemption of tax, atleast profit from intercoop activities should be exempted from tax.

F. Democratic Control

a) Nature of Legislation

Most member countries have one legislation for all their cooperatives. While legislation provides the legislation framework for the cooperative it also spells out contribution of fund from various cooperatives towards the training and development of cooperatives.

Bangladesh

5% from supplier towards development of cooperatives which is administered by the governing body.

Philippines

5% towards education fund.

Sri Lanka

10% to development fund.

Singapore

5% to central cooperative fund.

Some country members felt that the trust fund should be administrated together with the cooperator for its usage.

Malaysia and Singapore legislation has repealed the past law and gave a more contemporary look to suit the country cooperative situation. In Philippines, there is a change for the better of the previous Act and Law PD 175.

b. Board of Management and Control by Management

Generally most member countries except Singapore and Malaysia are lack of competent management staff.

The reasons are:

- i) Remuneration to management staff is low.
- ii) Lack of devoted management staff.

Solution:

i) To pay enough example by flexible wages.

ii) Education and training.

It is the view of the group that improvement of the quality of managerial staff will contribute to good control by management.

c. Member Participation

Members should be given the impression that they are part of the cooperative society. Involvement of members in any way will create members' sense of belonging. If the needs and wants of members are taken care of effectively, this will also help in increasing member participation.

In Philippines, the members of the close type of cooperatives can decide the operation of the cooperative.

Women cooperative movements are being encouraged in Malaysia and Bangladesh.

In general, members found the following activities can contribute to increased member participation:

i) Organized recreation activities, e.g. cooking classes, children camping, art appreciation course, etc.

ii) To give financial benefits to members through rebates, dividends and incentives e.g. in Malaysia cooperatives are giving M\$5 voucher for every purchase of M\$100 by members.

iii) Education of members and public.

iv) Gathering e.g. HAN groups of Japan, gathering in Bangladesh and Sri Lanka and consumer paralist of Singapore.

d. Consumer Protection

There are various laws in each member's country to protect the consumers, which come under different government ministry, e.g. medicated product act, advertising standard act, food specification act, etc.

In Malaysia and Singapore, there are Consumers Associations to look into complaints from customers (local and overseas).

On top of all this legislation, the cooperative can serve their members by providing good merchandise at good price, stabilize the price of basic goods (rice, sugar, flour) and lower the cost of living in the country.

There is no ideal cooperative in existence yet, but a cooperative which has the heart of its members is working very close to it.

The group thanks Mr. Ohya, the Chairman of the Sub-Committee for his guidance and contribution during the discussion.

GROUP II

Group Members

1. Dato' Hamzah bin Haj Yatim	Chairman
2. Mr. Mohd. Hanafiah bin Abd. Rahim	
3. Mrs. Ampawan Vadanathorn	
4. Mr. Kawata with Mr. Sato	
5. Mr. Siripala	
6. Mr. M.K. Zutshi	Secretary

A. GOVERNMENT POLICY

- i) Law on Cooperatives
- ii) Fiscal Policy
- iii) Country resource position (Mobilization of capital)

In respect of sub-item (1): it was noticed that barring minor local flavour, the law on cooperatives was nearly uniform. Exceptions noticed were:

- a) Japan - Cooperative society can deal only with its members, which restricted its operations.
- b) Sri Lanka - Government permission needed to start any project.
- c) India - Government nominates its nominees on Board of management, according to the ratio of its share capital. This is an aberration of principle of one member one vote.

ii) Fiscal Policy:

Japan - Lower Tax rate charged at 27% as against medium industry at 30% and

Large Trade/Industry at 42%.

Thailand- No taxes charged on dividends received.

Malaysia- Lower rate of 20% only charged on net profit.

Sri Lanka- Concessional tax charges.

India- No tax concession given but government contributes share capital and banks charge less interest on finance.

iii)Resource Mobilization:

It was noticed that in countries where gross domestic product, per capita was below the average of Asian developing countries-namely India, Sri Lanka and Bangladesh- it was not possible for the people to mobilize resources for setting up of consumer cooperatives in any big way and to carry forward the movement without substantial aid from government and other agencies.

B. MANAGEMENT

- i) Composition of Management
- ii) Manpower Resource Development
- iii) Infrastructure of Cooperatives
- iv) Business Operation.

i) It was seen that in general the cooperative principle of one member one vote is the norm except in case of India where government has voted more or less in relation to ratio of share capital subscribed.

Han system of Japan was noted to be most participative and successful. This gave greater participation to women/housewives. This is, however, in the process of decline on account of women taking to employment in increasing numbers. But where it works it is still a great success and quite popular.

In Japan, President, who may be an employee, is the Chief Executive and is elected.

ii) Manpower resource development:

Japanese movement conducts both induction training as well as periodic in-house training for its employees. They attract the best talent by paying as high salaries and benefit as in private sector, and higher than government employees.

Thailand- Cooperative League of Thailand conducts mid-career courses for consumer cooperative employees. At the secondary school level, a course on

elective basis is offered.

Consumer cooperative employees are better paid than government employees.

Malaysia- Cooperative College conducts induction courses as well as mid-career courses. It offers a diploma course on Cooperative Management. Cooperative employees are better paid than Government employees.

Sri Lanka & India- Training is given in cooperative training colleges, both at induction level as well as mid-career.

Cooperative employees in both countries are paid salaries as Government employees.

iii) Infrastructure of Cooperatives

Japan- Except for Rice, the consumer cooperatives procure the goods either from JCCU (20%) or manufacturers (50%). About 20% of goods are procured from private wholesalers. Rice accounts for about 10% which is government controlled.

They have their own warehouses, processing and transport for carrying out their business activities.

Thailand- Procurement is by and large from wholesalers. The cooperatives own their warehouses and partly transport.

Malaysia- Procurement from producers/manufacturers, wholesalers as also from general agents.

Sri Lanka- Procurement is from other cooperatives as well as wholesalers. They have their own transport.

India- Procurement is from other cooperatives as well as manufacturers/wholesalers. Generally no transport of theirs available.

Japan- Operation cost of cooperatives comes to around 16% of the total turnover. They generally work on net margin of 2.5% which result in around 1.8% net profit after tax.

Thailand- Operation costs is nearly same as that of Japan at 16% approximately. There appear to be net profit of around 8%.

Malaysia- MCC which has the largest turnover of 2.5 million work on margin of 25% average. After deducting operating cost and taxes an average of 2.5% profit

is earned.

Sri Lanka- They work on margin of 10%. Operating cost comes to about 5-6%. By and large they are not making any net profit worth mentioning.

India- Dual system of margin added, which may workout to about 10% overall margin. Operating costs come to 7-7.5% and in most success stories, the net profit after taxes has not exceeded 1.5%.

C. MEMBERS PARTICIPATION

General discussion took place in which it was recognized that the members' participation is directly related to the economic development of countries. Members participation was highest in Japan and lowest in Sri Lanka and India, directly proportionate to their economic development.

Group thanks Shri G.K.Sharma, Regional Director, ICA Regional Office for Asia, for his guidance, borne out of great indepth study and commitment to the cause of cooperative movement.

GROUP III

Group Members

- 1.Mr.Kim Kyu Sekh
- 2.Mr.Mohd.Tahir bin Mohd.Hassan
- 3.Mr.Yamaghisi
- 4.Mrs.Tabata
- 5.Mr.Ho Kyum Lee
- 6.Mr.S.Ohta

Convenor

A. Government Policy (Economic & Social Development)

- i) Tax resulting in less surplus and reduction of working capital as well a investment capacity.
- ii) Registrar's wide power hindering autonomy and progress of democratic management.
- iii)Some legislation restricting operational areas and clientele of consumer cooperatives.
- iv) Insufficient soft loan available to maintain and expand activities for the sake of the community.
- v) The government's scrupulous control on accounting and auditing.
- vi) The government's controls by nominating the board members and also executive members.

B. Management

- i) Lack of a national federation of consumer cooperatives which can combine buying powers of primary cooperatives in order to procure products at better prices.
- ii) Traditional management systems which are not efficient enough to compete with other sectors.
- iii) High cost of operations.
- iv) Low margin
- v) Not enough working capital to maintain better assortment of goods to compete with other private shops and to absorb losses incurred from business.
- vi) Difficulties to attract and retain professional and reliable managers/ employees to operate the cooperatives efficiently.
- vii) Few manpower development systems.
- viii) Protectionism of manufacturers dominating the market.

C. Member Participation

- i) Small number of individual members.
- ii) Lack of strategy and mechanism of members involvement.
- iii) Less democratic management by the members.
- iv) Few member education and development programmes.

**06. STRATEGIES FOR OVERCOMING THE
PROBLEMS WHICH HINDER THE PROMOTION
AND DEVELOPMENT OF CONSUMER COOPERA-
TIVES IN THE REGION**

GROUP I

Group members

- | | |
|-------------------------------|------------------|
| 1.Mr.Kim Kyu Seok | |
| 2.Mr.Lee Ho Kyum | |
| 3.Mrs.Ashrafun Mosharaf | |
| 4.Mr.Toshio Kawata | |
| 5.Mr.Emilio P.Dilan | Secretary |
| 6.Dato' Hamzah bin Haji Yatim | Chairman |

I. GOVERNMENT POLICY

The group first decided on the procedure in the discussion of the problems/situations identified in the First Group Reports and strategies to be adopted as sub-divided:

- i. On No.1, the group has the consensus that the government should give more facilities and financial assistance to consumer cooperatives needing there on the condition that said government should not tie them up with unreasonable or undue controls and limitations.
- ii. We have decision as in No.1
- iii. No discussion was made on this matter since it depends on the policy and situation of the country cooperatives.
- iv. The group was unanimous in that there is need for all countries to have legislation governing cooperatives. However, the group opted and favours that all members of the Board of directors of a cooperative should be elected by members. Boards should only have ex-officio officers to observe in the deliberations and operations of the consumer cooperatives.
- v. The group after discussing the matter and giving actual situations in individual countries decided to suggest/recommend that the government should grant tax concessions and tax exemptions on certain activities.
- vi. The group has discussed this matter and concluded that this as situational on a limited number of cooperatives since one of the most important objective in

the establishment of a cooperative is to protect its member-consumers.

vii. The group, being pressed for ample time, had also discussed it but decided that it is related to topic No.4.

viii. After the group fully discussed this matter, it decided to suggest that governments should give special facilities and financial resources to consumer cooperatives such as infra-structure; area of operations, soft loans, etc. to make consumer cooperatives successful.

ix. This item is already included in the discussion in No.8 and still the group opted for the same suggestions.

x. In relation to No.1, the group has discussed No.10, which agreed that there should not be superfluous government control in accounting and auditing. However, we all agree that there should be a uniform accounting system.

II. MANAGEMENT OF CONSUMER COOPERATIVES

1&2. No.1 and 2 are deemed co-related. But the group had been unanimous in their thinking that for No.1, lack of adequate compensation in some countries is also a significant factor in the dearth of competent staff and also local staff. However, it was also noted that even with adequate compensation, the problem stated is also existing, since there is lack or inadequate training facilities or for that matter, an effective training programme for the staff.

Consumer cooperatives concerned therefore should stress attention to the effective development of human resources, particularly to the cooperative staff. In this way competence and loyalty may be realized.

3. Since most members of the group felt in their countries various situational experiences have been presented and discussed. Therefore it was the suggestion that consumer cooperatives should strive to establish their own wholesale societies/national distribution centres to ensure the adequacy to supply to primary and secondary outlets. This wholesale cooperative organization may also be able to acquire commodities at lowest possible cost as it will be buying in bulk but can also afford to be selective in acquiring quality goods for its member-outlets.

4&5 No.4 and 5 are co-related to topic No.3. The group felt since transportation system is needed to deliver goods to primary outlets, while an active national federation could undertake also the function of a wholesale distribution centre which can realize a lower acquisition cost for primary consumer cooperatives.

6. The topic was discussed within the context of the traditions in each country. Some consumer cooperatives had been established and controlled

substantially by the government whereas others are partially administered by government functionaries and they are independently run by the members of the cooperative. Hence, the traditional management system which hampers the efficient operation of the cooperative should be changed and improved. The system should be changed and streamlined, if need be to reduce high cost of operations.

7. The subject was discussed under topic No.6

8. The problems of margins have been discussed, by the group involving the previous discussions No.3 and No.6. The low margin is primarily realized when the acquisition cost of goods to be sold is unreasonably high and the selling price does not allow a margin or a mark-up necessary to cover up operational expenses including other items of expenditures and net savings. A margin may not at all be realized resulting in a loss.

9. One of the factors which impelled the improvement/ success of the consumer cooperatives is the dire inadequacy of working capital. This is because of the policy essenciated, the operational procedures followed or due to the inadequate contributions of the members in the capital formation. It was therefore suggested that the best remedy is for the cooperatives to progressively increase the equity of each member by their purchase of additional shares on periodic basis. Assistance of the government should be in the form of soft loans with no accompaniment of government restrictions and unreasonable limitations. Don't should such should such loans to preferential low interest rates.

10&11 These two topics were recognized by the group, as a reality which could not attract professional and reliable officers due to low compensation offered to them and also due to weak human resource development systems. It was suggested the group that developed countries with effective manpower development should assist the countries which are still developing.



A workshop member presents his report.

12. Protectionism of manufacturers domination in the market is a policy that is one of the serious concern of the consumer movement. After discussions in the group, it was the consensus that the only way to neutralize the negative effects of protectionism of manufacturers is a strong and solid consolidation of the consumers group.

· In some countries, this remedy is already being practiced and shown effectiveness.

III. MEMBER PARTICIPATION

1&2 No.1 & 2 are co-related in the same way that it amounts to quantitative factor due to certain inadequacies in the policy formulation and promotion of the cooperative. There may be due to neglect in the promotional aspect in the establishment of the cooperative act. The consensus of the group was that the consumer cooperative associations in developed countries should provide training programmes, human resource development programmes etc to less developed countries whose cooperative development is appreciably slow. To realize the active participation of members as well as to increase the number/attract members, the group has suggested the following line of action:

- i. An effective information system by the use of periodical issuance of pamphlets, literatures, posters, newsletters, etc. in the neighborhood or community.
- ii. Study visits by groups of housewives-members outside the community to disseminate information and arouse interest of non-members.
- iii. For housewives members and other members to go to grass root levels and disseminate information or help in the organization of cooperatives.

3. No.3 is similarly related to the discussions in No.1 and 2 and the strategies proposed are similar.

4. This topic had again been discussed by the group since the same was taken up in previous report. However, after deliberations, the group came up with the suggestion that the management/policy makers of the cooperatives should, as often as necessary, should issue information what was decided upon to inform the members. Another suggestion is for every member to be allowed to submit his suggestions to a committee which will submit the same for consideration of the management of the board.

5. Education and development of human resources are very important in the success of the consumer cooperative movement.

After detailed discussions, the group suggested the following line of action:

- a. That most developed countries and other apex organizations with developed human resource programmes offer assistance to less developed countries in the form of lectures, seminars, workshop and study grants.
- b. Schools from secondary to college levels should incorporate human resource development programmes in the departments of the country concerned.
- c. Cooperative leaders should be allowed to attend scholarships, seminars and workshops to learn more and identify better management in consumer cooperatives.

GROUP II

Group Members

- | | |
|--------------------------------------|------------------|
| 1. Sheikh Abd.Kadir bin Ahmed | Chairman |
| 2. Mr. Mohd. Hanafiah bin Abd. Rahim | |
| 3. Mr. Peter Chan | |
| 4. Mrs. Vampawan Vadanathorn | |
| 5. Mr. M.D. Siripala | |
| 6. Mr. M.K. Zutshi | Secretary |

1. GOVERNMENT POLICY

- i) In some countries, governments finance cooperatives, however, giving greater profit to agricultural cooperatives.
- ii) Some countries do not have clearly proclaimed policy on cooperatives.
- iii) Some countries in the region have government auditors.
- iv) All countries have legislation governing the formation and working of cooperatives. In certain countries, laws provide for levy on cooperatives towards Cooperative Development Fund.
- v) Taxes collected on cooperatives in the region present a mixed scene. But generally, either there is concessional taxes charged or concessional finance made available under the Government policy. However, it is not enough to generate surplus and enough working capital.
- vi) All countries in the region have legislation to protect consumer interests and yet cooperatives in all countries are not working for consumer protection in any meaningful way.

vii) Policies of some Governments being restrictive in nature, hinders the growth of consumer cooperatives. These restrictions relate to area of operation and clientele.

viii) In least developed countries in the Region, governments financial support is essential to supplement the meager individual resources of members to establish viable consumer cooperatives.

2. MANAGEMENT

i. In many countries cooperative movements are unable to secure the services of competent, trained and motivated staff and do not have adequate facilities to undertake training in order to upgrade their skills and motivate them sufficiently.

ii. In most countries consumer cooperatives have to procure most of their goods from private manufacturers/wholesalers. Only small supply is available from Cooperative Federations or government sources. Therefore, they are unable to secure better prices.

iii. Cooperatives in few countries have their own transport for their operations.

iv. Traditional management system cannot carry forward the movement much further. There is need to introduce modern methods of management in order to succeed in present 'Hi-Tech Era'. That only will ensure lower cost of operation and result in surpluses.

v. Cooperative movements must promote manufacturing cooperatives to break private producers/manufacturers protectionism.

3. MEMBERS PARTICIPATION

i) In some countries they have yet to develop mechanism and strategy to secure active involvement in operation and management of cooperatives.

ii) The problem of small number of individual members in least developed countries is because the individual members do not have resources to subscribe to the share capital and hence government assistance is secured as shareholder.

iii) Some countries do not practice the operations of the cooperatives democratically

GROUP III

Group Members

1. Mr.S.A.Dissanayake
2. Mrs.Tabata
3. Mr.S.Ohta **Secretary**
4. Mr.Shahidullah **Chairman**
5. Mr.Md.Tahir bin Mohd.Hassan

1. GOVERNMENT POLICY

i) In some countries like Bangladesh and Sri Lanka, the government does not finance consumer cooperatives enough as desired by them. So some financing by the government is needed for the consumer cooperatives besides agricultural cooperatives or any other cooperative sector.

ii) External auditing on consumer cooperatives should be done by a certified public accountant but not by the government. And if requested, the national or regional federation of consumer cooperatives or of cooperatives shall provide such services to its member cooperatives which are not able to meet the cost of the accountant.

iii) Some budgetary allocation from the consumer cooperative development fund or from any other similar fund should be given to the consumer cooperatives.

iv) Taking into account some legislative restrictions on the activities of the consumer cooperatives and the expected social roles of them, more active support and commitment by the government for the protection of consumer cooperatives should be given, i.e. shop premises, tax,etc.

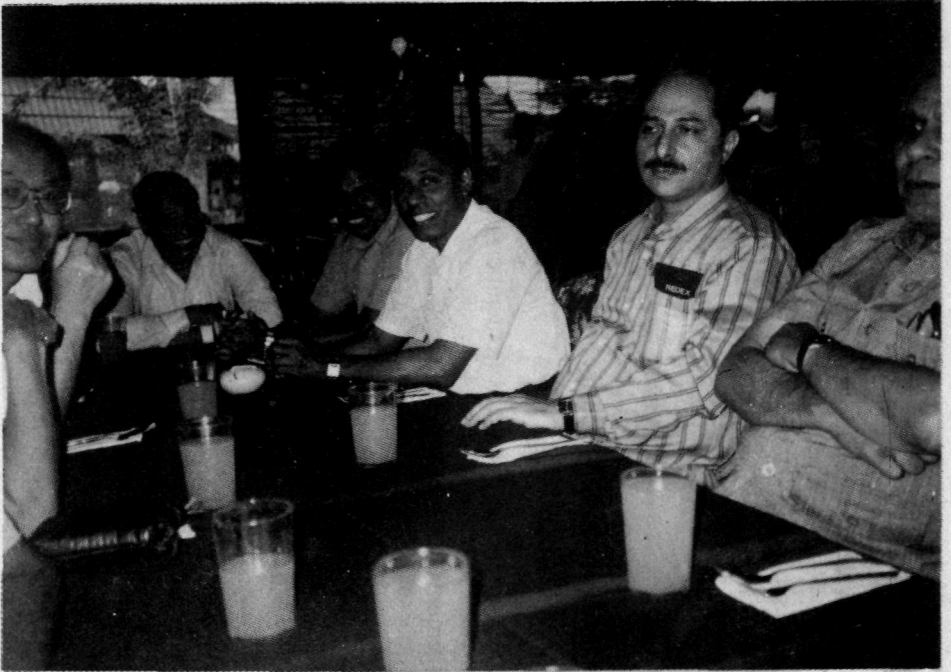
v) The government is expected to support consumer cooperatives, especially in the beginning of their activity, to promote their development but not to interfere in their independence.

vi) Enough soft loans should be available.

2. MANAGEMENT

i. To recruit and retain competent and loyal staff, the consumer cooperatives should offer good working conditions and sufficient and well organized human development policies and facilities should be established.

ii. A national/central federation of consumer cooperatives which has wholesaling and transportation functions as well as guidance should be organized.



WORKSHOP MEMBERS RELAX

iii. Management systems should be modernized to compete with others by learning from some successful movements.

iv. To cut down the operational costs.

v. Credit payment for the procurement from wholesalers and manufacturers in order to get enough working capital.

3. MEMBERS PARTICIPATION

a) Listening to members opinions in order to realize members/consumers real demands.

b) Maintaining business to make profit which is distributed to members as rebate and dividend.

c) Having strategies and mechanism of member participation.

d) Accessibility to information on any activity of the cooperative for members, including management situation.

e) Bilateral communication between members and management.

f) Management should be decided by members.

06. APPENDICES

APPENDIX -1 COUNTRY POSITION PAPERS

1. BANGLADESH

(Presented by Mr. Mohd. Shahidullah, General Secretary, Bangladesh Jatiya Samabaya Union and Mrs. Ashrafun Mosharraf, Chairman, Mirpur Central Women Coop Society Ltd.)

Bangladesh made attempts to organize National Cooperative Consumer Society in Sixties and Seventies but it did not succeed. There are 3 National level Apex cooperative organizations that among many other objectives and functions, deals with procurement, supply and services of consumer goods also to meet the demands of not only of the cooperative organizations at the secondary and primary levels in different sectors but also to the individual members directly through their shops and establishments but the range of their activities is limited. These 3 Apex Cooperatives are the Bangladesh Samabaya Marketing Society Ltd., Bangladesh Samabaya Shilpa Sangstha and Bangladesh Jatiya Mahila Samabaya Samity Ltd.

The Bangladesh Samabaya Marketing Society Ltd. has nearly 68 Central Multipurpose Societies at Secondary level and 4100 Union Multipurpose societies at the village level that deals with consumer activities alongside credit and marketing activities to a limited extent at the moment. It had its booming activities during early Seventies. The Bangladesh Hasta Shilpa Samabaya Sangstha had the 64 Central cooperative banks and good number of central cooperative multi-purpose societies at the secondary level and the primary net work similar to Bangladesh Samabaya Marketing Society Ltd., in addition to secondary and primary level weaver cooperatives. These organizations also deal with consumer activities in a limited scale. It had its booming activities during fifties. The Bangladesh Jatiya Mahila Samabaya Samity also procures some consumer goods and supply the same to 44 women central cooperative societies to cater to the needs of about 18,000 village level women cooperative societies. The activities of these women societies too in respect of consumer activities are now occasional and very limited. It had its record of good performances of consumer activities during mid-seventies. There are nearly five hundred employees and workers cooperative societies among the employees of various governmental and non-governmental organizations that runs small consumer shops to cater the needs of their members. Apart from these, there are nearly 1000 primary consumer cooperatives in the country with share capital of Tk.1 million (approx) and their annual turnover is around Tk.8/10 million.

There are cooperative organizations that produce consumer goods and

supply the same to the consumers directly through their own distribution network and sales centres.

The name of Bangladesh Jatiya Milk Producers Cooperative Union may be mentioned, that produce milk and milk products and distribute in the capital city and Bangladesh Hosta Shilpa Samabaya Federation Ltd. (KARIKA) products and sell them to the consumers through the sales shops. It is also exporting food products and handicraft products. The Dhaka New Market Consumers Cooperative Store is selling consumer goods both to the members and non-members. The working condition of the cooperatives now in consumer operation in Bangladesh may be looked upon as follows:

Sl.No.	Particulars	National level	Secondary level	Primary level
01	No. of societies	3	250	15,000
02	No. of members	300	15,000	2 million
03	No. of members of Managing Committee	36	3,000	90,000
04	No. of employees and workers	250	6,000	30,000
05	Share capital	5 million	20 million	30 million
06	Reserve Fund	2 million	3 million	11 million
07	Deposits	1 million	3 million	5 million
08	Loans repayable	2 million	3 million	25 million
09	Working Capital	11 million	30 million	52 million
10	Loans issued during 1987-88	1 million	2 million	1.1 million
11	Loans recovery during 1987-88	0.8 million	1.2 million	9.9 million
12	Loans realizable	0.2 million	0.8 million	1.9 million
13	Total purchases during 1987-88	12.5 million	13.6 million	15.9 million
14	Total Sales during 1987-88	12.4 million	12.9 million	14.6 million
15	Total Income	2 million	3 million	3.5 million
16	Net profits	1 million	1.5 million	2 million

The above statements do indicate the performance of the Cooperatives in respect of consumer activities.

Problems: The main problems of developing a consumer cooperative network in the country may be summed up as follows:

1. Lack of government policy for consumer development,
2. Lack of government support for consumer business finance,

3. Lack of reasonable standard of basic needs such as food, clothes, housing and nutrition,
4. Lack of proper environment free from pollution,
5. Lack of access to pure merchandise at fair price,
6. Lack of adequate supply of consumer goods & services,
7. Lack of education on consumer cooperative gains,
8. Lack of democratic participation and control in economic life,
9. Lack of justice in social, economic and political life,
10. Lack of values of self help co-ordination, democracy and universality, and
11. Lack of countervailing powers to over power the forces and factors and exploitations of various kinds.

Suggestions

1. The members should be educated on cooperative principles and management of consumer cooperative network and trained to develop the capability for joint planning, programming and management of consumer cooperatives with due respect to equity and justice to reduce uncertainty and cost of production and distribution and avoid middle men and also to develop markets.
2. A need-based consumer cooperative structure has to be developed and backed by national distribution centre/national consumer cooperative bank.
3. Preferential treatment for the consumer cooperative in all economic and commercial policies of the government.
4. Development of production cooperatives to cater to the needs of the consumer member network.
5. Introduction of rebate system in all consumer cooperatives.

2. INDIA

(Presented by Mr.M.K.Zutshi, Managing Director,National Consumer Coop Federation of India)

01. General Information

01.01 No. of Type of Cooperative Organizations

01.02	<u>Type</u>	<u>No.</u>	<u>No of Indl members</u>
1	National Federation	1	
2	State Cons. Federations and State Marketing &		

	Consumer Federations	24	12,329
3	Village Societies (dealing in Consumer goods)	55,000(approx.)	N.A.
4	Wholesale/Central stores	650 (+5442 branches)	2.24 million
5	Primary societies	18,770 (+6575 million branches)	6.28

01.03 There are roughly 2,25,000 persons working for the consumer cooperatives.

02 Brief History of Consumer Cooperatives

02.01 The first cooperative consumer store in India, the Triplicane Urban Cooperative Society, in Madras, South India was started in 1904. This was followed by a society, each at Coimbatore, South India and Bangalore, South India in 1905 and another society in Kasi in 1907. All these societies were started by a few enlightened people to meet the then felt needs. The name of the society at that time did not indicate whether it was a consumer store or not because the Act prevalent at that time did not provide for registration of non-credit societies. After the enactment of the Cooperative Societies Act in 1912, various kinds of cooperative societies were permitted for registration. In 1919, on the basis of Montague-Chelmsford reforms, cooperation became a Provincial Subject and accordingly State Laws were passed subsequently to enable the State Governments to effectively administer the cooperatives organized for various economic activities.

02.02 During the second World War, scarcity conditions were prevalent all over the country. Government of India encouraged consumers to organize their own cooperative societies for ensuring steady supply of scarce commodities. This resulted in the growth of a large number of consumer stores. After the World War, the prices fell and consumer cooperatives could not make any import on the free economy. Later, Government of India in 1960, constituted a committee, known as Natesan Committee to study the working of consumer cooperatives and to make recommendations to strengthen the structure so as to make it effective. The committee suggested a four-tier structure, State Partnership and Financial assistance for setting up of consumer stores.

02.03 In the meanwhile, a number of studies on the working of consumer cooperatives were carried out. The recommendations of these studies were

considered for implementation. Accordingly, a Central Sector scheme for strengthening consumer cooperatives is under implementation since 1962.

03. Structure of Consumer Cooperatives

03.01 India's consumer cooperatives have 4-tier structure. At the grass-roots level, there are about 19000 urban based primary societies. They have about 6500 branches, retail outlets and 40 department stores. At the district level, there are 650 wholesale/central stores. They have about 5200 branches and about 240 department stores. At the state level, there are 24 State Cooperative Consumer Federations and State Cooperative Marketing-cum-Consumer Cooperative Federations, with 186 branches. At the apex is the National Cooperative Consumers' Federation of India.

03.02 In addition to the primary stores at the grass-roots level, about 55,000 village cooperative societies in addition to their other activities undertake sales and distribution of consumer goods and essential commodities.

03.03 Membership: The primary societies have a membership of more than 6.28 million, and the wholesale stores 2.24 million. Membership of the State Federations and National Apex is mainly institutional. State Federations have a membership of about 3,000 consumer cooperatives and another 0.12 million individuals. The national federation has in all membership of about 100.

03.04 Share Capital: The total share capital contribution of the State Federations is about Rs.370 million. 86% of this share capital has been contributed by the Government. The wholesale stores have a share capital contribution of Rs.480 million. About 70% of this share capital has been contributed by the Government. The primaries have a total share capital of Rs.290 million. In their case, the government contribution is about 25%. The rural cooperatives that deal in the distribution of consumer goods and essential commodities have also received government financial assistance of about Rs.150 million through and (National

Cooperative Development Corporation-NCDC) sponsored programme. The state level federations have mustered an average working capital of about Rs.170 million, the wholesale stores Rs.1,592 million and the primaries Rs.1,255 million during the previous year.

04. Functions of Consumer Cooperatives:

04.01 While the national and state federations are almost exclusively handling wholesale distribution of consumer goods, essential commodities and consumer durables, the wholesale store at the central level, the primary stores at the grass-roots level and the village societies, by and large, carry out retailing. There are about 325 large-sized department stores set up by the wholesale and primary store

engaged in large scale retailing of consumer goods. The consumer cooperatives at the national and state level do not generally do much of import business. Neither is the consumer credit business being carried out by the consumer cooperatives in India on a large-scale; a few of the department stores though have made arrangements with the banks for credit sales for consumer durables but these schemes have yet to gain any significant popularity. Also, consumer credit is extended in the rural sectors in a limited scale.

04.02 Consumer cooperatives, through day-to-day sales activity, carry out consumer education programme. In India, the consumer has come to develop trust and confidence in the merchandise and services offered by the consumer cooperatives. The consumer education programme as such is generally carried out by the state cooperative unions, consumer protection agencies and the state and central governments. So is the case with the consumer protection programme. A number of legal and institutional arrangements have been developed over the years which aim at safeguarding the interest of the consumer. Through sale of safe and competitively priced quality consumer goods and essential commodities, consumer cooperatives of India are also assisting in the implementation of consumer protection programmes.

04.03 Under various programmes, the Central & State Governments and the consumer cooperatives are engaged in strengthening the distributive cooperative structure both in the urban and rural areas. The objective is to ensure efficient public distributive arrangement specially in remote rural areas and for the weaker sections in the urban areas. The focus is better consumer services through the cooperative structure at all levels.

05. Business Situation and Problems of Consumer Coops

A. Turnover: The average annual wholesale turnover of the wholesale cooperatives, the state federations and the national apex, NCCF, is about Rs.12,000 million. The retail sales turnover of urban-based consumer cooperatives is about

Rs.15,000 million and Rs.19,000 million for rural consumer cooperatives. The annual sales turnover by cooperatives, urban and rural, has thus gone up to more than Rs.46,000 million from about Rs.3,000 million about a decade back. Rural cooperatives that entered in the distribution of consumer goods in later part of 1970s have caught up with the urban consumer cooperatives in terms of sales turnover.

B. Market Share: Consumer cooperatives roughly handle a little more than 3% of the retail business of the country's total retail trade in essential consumer commodities. The impact of retail cooperatives both on the consumer and the private trade has been positive. Over a period of time, the retail cooperatives have come to earn confidence of the consumer.

C. Profitability: By the end of the last year, 58% of the state consumer federations, about 50% of wholesale stores and, at the grass-roots level, more than 45% of the urban primary societies came out with net profits. The annual sales turnover of the national apex, NCCF has remained level at Rs.140-150 crores. Because of a number of reasons including high percentage of overhead costs and abnormal interest cost, the profitability position of the NCCF has not been quite happy since 1983-84. During the first 17 years since its inception, NCCF has, however, been able to generate surplus.

D. Sales Policy, Pricing Policy: The pricing policy of the consumer cooperatives has by and large, been competitive. The retail cooperatives keep a keen eye on the open market and try to sell merchandise at competitive rates. There are certain controls on essential commodities that leave fixed selling prices and margins of profit. In the pricing mechanism for a number of commodities handled by cooperatives, however, the margin-spread at times is rather wide. This allows a limited profit to the cooperatives.

Consumer cooperatives at the retail level, by and large, have an open sales policy. They cater both to members and non-members, except in some cases where distribution of goods is restricted by law to either members or to registered ration card-holders.

E. Transport arrangements

The consumer cooperative network does not have an extensive arrangement for transporting merchandise handled by it either in the wholesale sector or the retail sector. The individual societies do have their own transports mostly to carry out inter-branch stock transfers. However, the long distance transporting of goods is mainly through the railways or the trucking companies.

06. Democratic Control and Management

06.01 The cooperative movement in India is in the process of updating its cooperative law for democratization and professionalization of management in cooperatives. In this connection, a committee set up by the Government of India "to examine the various State Cooperative societies Acts and suggest guidelines for legislative action to activate democratic process and to promote professional management in cooperatives", has come out with its report in the recent past. This report is now being examined at various levels.

06.02 Ways and means have also been suggested for increasing membership participation and its effective democratic control. The cooperatives have, by now, come to learn techniques of modern management of cooperatives by professional executives. In this, the Consultancy & Promotional Cell of NCCF has made a

major contribution for upgrading the overall proficiency of the executives of the consumer cooperatives.

07. Involvement of Government

07.01 As indicated earlier, governmental involvement in financing the wholesale sector is fairly high. In the wholesale sector, as much as 86% of the total share capital of the state federations and 70% wholesale stores has been contributed by the government. In the case of cooperative retail stores, however, the government's share capital contribution is much less at about 25%. The government has, by and large, complete control on supervision and audit of accounts. The Registrars of Cooperative Societies appoint auditors for the national apex bodies. The participation of the State Government officials in the management of stores, specially the wholesale stores, the state federations and the national federation is fairly high. Mostly, the Chief Executives for these societies are from the state or the central government services.

07.02 The consumer cooperatives do not enjoy any special tax concession or benefits in India.

08. Remedial Action Proposed

08.01 The Report of the Committee on Cooperative Law for Democratization and Professionalization of Management in cooperatives has made an indepth examination and come out with recommendations, which when implemented, are likely to help in the effective management of consumer cooperatives also.

08.02 The Indian Consumer Cooperatives that have by and large handled fast moving, scarce essential goods so far, have yet to develop a cadre both at the floor as well as supervisory level that could stand in competition with the marketing professionals of the private sector. It is a long process but both the consumer cooperatives and the cooperative administrators need to take up this task earnestly, if the consumer cooperatives are to flourish.

09. To sum up, the position of consumer cooperatives in India and the future strategies for their development are given in the paragraphs below:

i) Retail Societies

Cooperative retail outlets have, by and large, been able to create an impact on the private trade and this has helped the consumer in many ways. The pattern of retail operation that has proved to be successful is that of large sized retail outlets that deal in fairly broad spectrum of merchandise. The consumer cooperative stores operating the retail outlets is in a position to procure essential commodities and other consumer goods in bulk on competitive terms, as they operate a number of retail outlets in a city or town. In fact, large sized retailing

in India is being carried out by the cooperative sector. There are more than 40 cooperative stores having annual retail sales turnover of more than 500 millions which includes a few stores whose retail business has crossed Rs. 50 million. In order to bring about the desired impact, cooperative retail stores have to further improve their contribution to the country's total retail trade. For achieving this, they need to get support from the State and National Federations by way of assured supply of goods and technical guidance to improve their operational efficiency.

ii) Wholesale Consumer Cooperatives

The wholesale sector, State Federations and NCCF, has not been able to provide the required degree of supply support to the retail cooperatives. The supply contribution to the retail cooperatives by the cooperative wholesale sector is about 12% which is rather low. The performance of the wholesale sector needs to be improved. With better supply support from the wholesale sector, the retail cooperatives will be able to concentrate more on providing better services to consumers/members and improve their sales performance.

iii) Strategies proposed for Consumer Cooperative Development include:

- a) Strengthening the National and State Federations for providing supply and developmental support to the retail cooperatives. NCCF has proposed for an indepth study of the whole sector for improving the performance with the help of ICA. The Cooperative Wholesale sector should also be in a position to increasingly undertake supply of essential commodities to the Public Distribution System (PDS) in the context of existing and emerging situation.
- b) Strengthening the Consultancy & Promotional Cell in the National Federation to meet the consultancy needs and demands of the consumer cooperatives and to introduce modern systems of management including retail techniques so that the consumer cooperatives do not lag behind.
- c) Strengthening Central Consumer cooperative stores in urban areas for setting up of Departmental stores and retail outlets.
- d) Strengthening the base level cooperatives in rural areas to undertake distribution of essential consumer goods.
- e) Strengthening the students' cooperatives to expand their activities and improve functioning to enable students to get their requirements at reasonable rates.
- f) Encouraging National Federation, State Federations and leading Central Consumer cooperatives to undertake processing activities and also to go in for production of certain consumer goods requires for sales by consumer cooperatives.

g) Encouraging 'on the job training' facilities in consumer cooperatives and building up a trained cadre for managerial and supervisory positions to improve operational and business efficiency of consumer cooperatives.

3. JAPAN

(Presented by Mr.S.Ohta,International Relations Officer of
Japanese Consumers Cooperative Union)

01.GENERAL INFORMATION (As of March 1988)

	Societies	<u>Membership</u>	<u>Employees</u>	
			(full- time)	(Part- time)
Retail	528	9,702,270	32,240	50,089
Medical	117	1,088,968	13,233	3,080
Others	13	1,010,514	--	--
TOTAL	658	11,801,752	45,653	53,169

(*most members are female)

02 BRIEF HISTORY OF CONSUMER COOPERATIVES

-Please refer to Annex 1-

03 STRUCTURE OF CONSUMER COOPERATIVES

-Please refer to Annex 2 (Organizational Chart)-

Retail outlets	: 2,156
Selling Areas (sq.meters)	: 978,524

04. FUNCTIONS OF CONSUMER COOPERATIVES

A) Imports

CO-OPTRADE JAPAN LTD.

JCCU's 100% Subsidiary company dealing with imports and exports.

Total turnover : 25,790 million yen (March 1987)

B) Warehousing and Wholesaling

JCCU has a wholesaling function to supply CO-OP branded goods and other ones to its member societies.

C) Retailing

Consumer cooperative members buy goods at Co-op shops or through a

Joint Buying System. Only members can buy from consumer cooperatives because of a regulation of the Japanese Law.

D) Consumer Credit

Consumer cooperatives cannot operate saving and loan services because of a regulation of the Japanese Law. When buying expensive durables from a co-op, members can pay by installments.

E) Consumer Education

Consumer cooperative members actively participate in a lot of member activities organized by cooperatives in various fields i.e. merchandise review and development, house book keeping, environmental pollution, children's education, town planning, peace movement, social welfare, life culture.

Through these activities, members educate themselves and each other.

F) Consumer Protection

Consumer cooperatives have been representing consumers' opinions seeking better life by putting emphasis on the following areas:

- safety, reliability and quality of products.
- lower and stable prices.
- adequate information in the product's label.
- healthy dietary life.
- environmental pollution.
- improvement of administration for consumers.
- against unreasonable government policies on tax and social welfare which merely result in hardening consumers' burdens.

Co-op branded products are a good tool to realize consumers demands through cooperative members participation.

G) Any other functions:

Social Welfare activities

About 20 cooperatives are respectively conducting a home visitors programme for aged members to help them in their daily life on a voluntary basis. And many cooperatives are engaged in some welfare activities in the community in the spirit of mutual help.

Development of local community and economy

Consumer cooperatives are actively taking part in a variety of community activities to better the community. At the same time, as one of economic organizations in the community, the cooperative tries to attain co-prosperity with local farmers, fishermen, merchants and manufacturers in the face of incoming big supermarkets which tend to dominate the local market.

Peace and UNICEF fund-raising campaigns

About 7,000 cooperative member mothers and children attended Co-op's events against A & H bombs in Hiroshima and Nagasaki in August 1988. The UNICEF fund-raising campaign has been promoted nationwide since 1984.

Collaboration among cooperatives

The consumer cooperatives are pursuing collaborative activities with other types of cooperatives like agricultural and fisheries cooperatives.

Life culture activity

As a place of members communication, the consumer cooperatives offer opportunities to enjoy life for the cooperative members. There are lots of hobby, sports and culture circles in many cooperatives and some cooperatives have their own centres specially for such activities.

05. BUSINESS SITUATION AND PROBLEMS OF CONSUMER COOPS

A) Turnover- wholesale and retail business:

Wholesale : Yen 339,147 million (JCCU)
Retail : Yen 2,209,894 million (simple adding of 658 societies)

B) Market share and status among other sectors- private and state:

Consumer cooperatives' market share : 2.41% (in 1986)
*excluding sales of catering, car and petroleum service stations.

C) Profitability of the Consumer Cooperatives

*Based on data from 485 retail consumer cooperatives among which 361 cooperatives are profit-making ones.

-monthly surplus per full time employee : Yen 5,560,000

-monthly sales per sq.meters(sales area)	:	Yen. 86,000
-ordinary income/capital x 100	:	3.7%
-operating profit/sales x 100	:	20.1%
-labour costs/operating profit x 100	:	47.4%

D) Sales Policy, Pricing Policy

-Cooperative branded products developed and supplied by consumer co operatives represent cooperatives' policies of sales and prices.

CO-OP products' concepts are:

- i. reliability, safety
- ii. reasonable price
- iii. high quality
- iv. user-oriented
- v. social view point,
seeking further development of the movement.

E) Transport arrangement

- JCCU has five of its distribution centres to cover all over Japan from which both JCCU's CO-OP branded products and other branded ones are delivered to JCCU's member cooperatives' warehouses, distribution centres or shops.

- Primary cooperatives' shops get products from:
- Its own warehouse or distribution centre,
- JCCU distribution centre,
- Private wholesaler's delivery services,
- Manufacturer's delivery services.

06. DEMOCRATIC CONTROL AND MANAGEMENT

A) Nature of Legislation

Open membership: Any one can become a member of a cooperative by buying certain amount of share, minimum Yen 1,000-Yen 5,000. No entrance fee or annual fee.

B) Boards of Management and Control by Members

Members of the board are elected by the cooperative's general assembly

attended by members' representatives. The general assembly is a cooperative's supreme decision-making body. The board members usually meet every month to get reports on management and operations from executives and discuss to decide policies.

C) Member Participation

A HAN group is a basic unit for members to participate into the cooperative's operation by discussing among group members to place their opinions. HAN leaders meet a leaders meeting to represent HAN members. The meeting elects members of a district committee which coordinate members' activities in its district. , At the same time, there are many kinds of specialized committees consisting of cooperative members who are interested in the activity. The committee is an advisory body in a specific field like CO-OP products, social welfare, home budgeting, environmental pollution, peace, life culture and so no.

D) Management by Executives

Executive directors are elected among members of the board at its meeting. They are in charge of daily management and operations. A managing director who is also elected among the board members acts as a chairman and chief executive of the executive directors.

07 INVOLVEMENT OF GOVERNMENT

A) Financing

There is no subsidiary of share investment from national or local governments to the consumer cooperatives. The Japanese movement is quite independent.

B) Supervision and Audit

The consumer cooperative should submit its financial statements to the municipal of the prefecture where the cooperative operates. The government has powersto supervise the cooperative's management and operations according to the consumer cooperative law.

C) Management

No government official is deputed as a member of management of the consumer cooperative.

C) Tax Concessions

**Reduced rate of state corporation tax:
27% for the consumer cooperative.
cf. 42% as basic rate for private sector
30% for medium and small sized corporations.**

**But the proposed government's tax reform plan includes an increase of
the consumer cooperatives' corporation tax.**

08 REMEDIAL ACTIONS PROPOSED

Topics which are deeply discussed in JCCU are:

- a. Business solidarity among retail cooperatives.**
- b. Renewal of CO-OP branded products to meet changes of members' way of life.**
- c. Renovation of shop operations.**
- d. Renovation of joint buying operations.**
- e. Organizational and operational reforms of JCCU.**

ANNEX 1

HISTORY OF CONSUMER COOPERATION IN JAPAN

I. Cooperative Movement Before World War II (1879-1945)

1. The origin of the Japanese movement dates back to 1879 when 4 Cooperative societies including Kyoritsu-shosha were established as the first consumer cooperatives following the Rochdale examples.

2. Nada Cooperative and Kobe cooperatives were founded in 1921. These two societies pioneered the consumer cooperative movement and were merged in 1962 into Nada Kobe Cooperative which is the largest cooperative in Japan with 840,000 membership.

3. A large number of Cooperatives were born under the Industrial Cooperative Law in the period of 1920-1940, when the women were hampered to be affiliated with the cooperative by the social habit and so formed "housewives association" to promote patronizing cooperative shops and undertake various cultural activities such as cookery classes. The first housewives association was formed in Kobe cooperative in 1924.

4. During the World War II, the Consumer cooperatives were oppressed by the government and their shops and other facilities were air-raided. Thus, the cooperative movement was almost suffocated.

II. Reconstruction of Cooperative Movement (1945-1950)

1. Under the severe shortage of food, the numerous small-sized cooperatives were organized to procure and share the scarce commodities. In 1947 their number culminated to 7,000.

2. In 1945, the Cooperative League of Japan (CLJ) was set up as an apex organization by the leading cooperators involved in cooperative movement in the pre-war days.

3. The Consumer Livelihood Cooperative Society Law (hereafter referred to Consumer Cooperative Law) was enacted in 1948 by the proposal from the government. The CLJ proposed its own bill but couldn't succeed to have its view incorporated in the law.

4. Most of small cooperatives were bankrupted because of lack of member's active commitment and managerial basis of business.

III. Establishment of the Basis for Development (1951-1959)

1. The Japanese Consumers' Cooperative Union (JCCU) was set up in 1951 succeeding the CLJ's function but based on the Consumer Cooperative Law.
2. In addition to the consumer cooperatives operating since pre-war days (Nada Cooperative, Kobe Cooperative, Fukushima Cooperative, etc.), the trade unions launched into organizing consumer, insurance and housing cooperatives and labour banks. These cooperatives relied on the trade unions for the membership and the initiative. The consumer cooperatives set up in such a way were called "Workers' Consumer Cooperatives."
3. In this period, the membership was generally registered by men's names, while their wives as the cooperative's "women's department" or "housewives association", although some women activists initiated the campaign to become the cooperative members. These women's organizations undertook the various activities such as the study on household economy and the merchandise, the discussion on the dietary life, the cookery courses, the consumer campaign and so on.
4. It was held that the Cooperatives could not develop without women's active involvement and as such the women's organization should be established by female members within the cooperative's framework. In 1957, the National Women's Council of JCCU was set up as a forum of women's activities at the national level.

IV. Formulation of HAN Organization Policy (1960-1964)

1. Japan launched into the phase of the rapid economic expansion since 1960's. The introduction of the new business methods of self-service and super-market puts the distributive trade into the drastic change described as "revolutionary". The population shifted from the rural communities to the large megalopolis generated the serious environmental and urban problems in the cities and the shrinkage of agriculture and living standard in the villages. In this process, the traditional bond among people was lost and a large number of consumer damage prevailed (the controlled price of electric appliances, the calamity caused by contaminated food, environmental pollution caused by synthetic detergent, the price-hike manipulated by oil cartel, etc.)
2. The workers' consumer cooperatives fell into difficulties mainly due the lack of their own organizational basis; in most cases they were set up by the resolutions of the sponsor trade unions and as such composed of trade union members who have no consciousness as cooperative members. Their failure as the trinity for the members to buy cooperative shares, to patronize cooperative shops and to take part in the cooperative's administration. In other words, it is of crucial importance to run the cooperatives on the basis of opinions of those who make the

day-to-day shopping or concern themselves with the Cooperative.

3. In searching for the organizational forms centered on the cooperative members, the Tsuruoka Cooperative (today's Kyoritsusha cooperative) initiated to organize HAN groups in 1956. (HAN means a basic union of organization in Japanese. It is a group of 5-10 members living in the proximity). In 1964, the JCCU Congress formulated HAN policy that the HAN should be the basic organization of the cooperative movement. Thereafter, HAN groups were organized in cooperatives throughout the country.

V. Regional Plan and Reconfirmation of Principles (1954-1970)

1. The cooperative movement entered the third uplifting period in the late sixties along with the development of shop network and joint buying based on HAN groups. There were two origins for cooperatives' expansion; the extension of existing cooperatives (mainly institutional cooperatives) into the surrounding areas and the new establishment of citizen cooperatives with the help of the university cooperatives operating in the major and local cities in the period 1965-1977. As a result, the cooperative movement established bridgeheads for further development in the most cities. The JCCU promoted such a move through its Regional Plan.

2. In 1968, the JCCU's Organization Policy Committee submitted a report on the cooperatives' organizational activities. It dealt with the relations between HAN groups and the housewives associations in view of developing cooperatives through members participation.

3. In the course of the implementation of the Regional Plan appeared a trend that the cooperatives hastened opening the large scale retail outlets in search of rapid expansion, without organizing the sufficient membership. Such practices resulted in bad economic performance and financial crises. On reflection of these failures, the JCCU's Congress in 1970 reaffirmed that the cooperative movement should base itself on the members' activities and strengthen the financial and manpower resources in the management. As to the financial matters, the priority was placed on the members' share capital rather than the external borrowed capital.

VI. Reorientation in Organizational Policy (1971-1977)

1. In 1970s the economic boom came to an end and the oil crisis of 1973 brought about the drastic unrest in supply and price of daily necessities. In order to protect living against such circumstances, a growing number of consumers joined the cooperatives' joint buying activities. Thus, the total membership of the JCCU member cooperatives grew by half a million for a year.

2. The scope and the content of members' activities extended. The discus-

sion of the HAN meeting was enriched. members' own initiatives took root in planning and organizing various activities such as membership recruitment, share-increasing, patronizing cooperative shops, public relations. Members' involvement in the merchandizing also prevailed in such fields as the development of CO-OP products and the direct transaction with producers. The JCCU Congress in 1971 stressed "the administration of members, by members and for members" as a principal matter, proposing to hold HAN meeting on the regular basis and strengthen HAN groups in the proximity of shops.

3. In the mid-seventies, most Cooperatives established the organizational set up of Board-District Committees-HAN groups. It meant the sharp increase of the active members who took various parts in such a structure, while the former housewives associations reduced their importance. In 1977, the National Women's Council was taken over by the newly-established National Organizational Activities Committee of JCCU.

II. Flourishing Members' Activities and Enhancing Cooperatives' Roles (1978-)

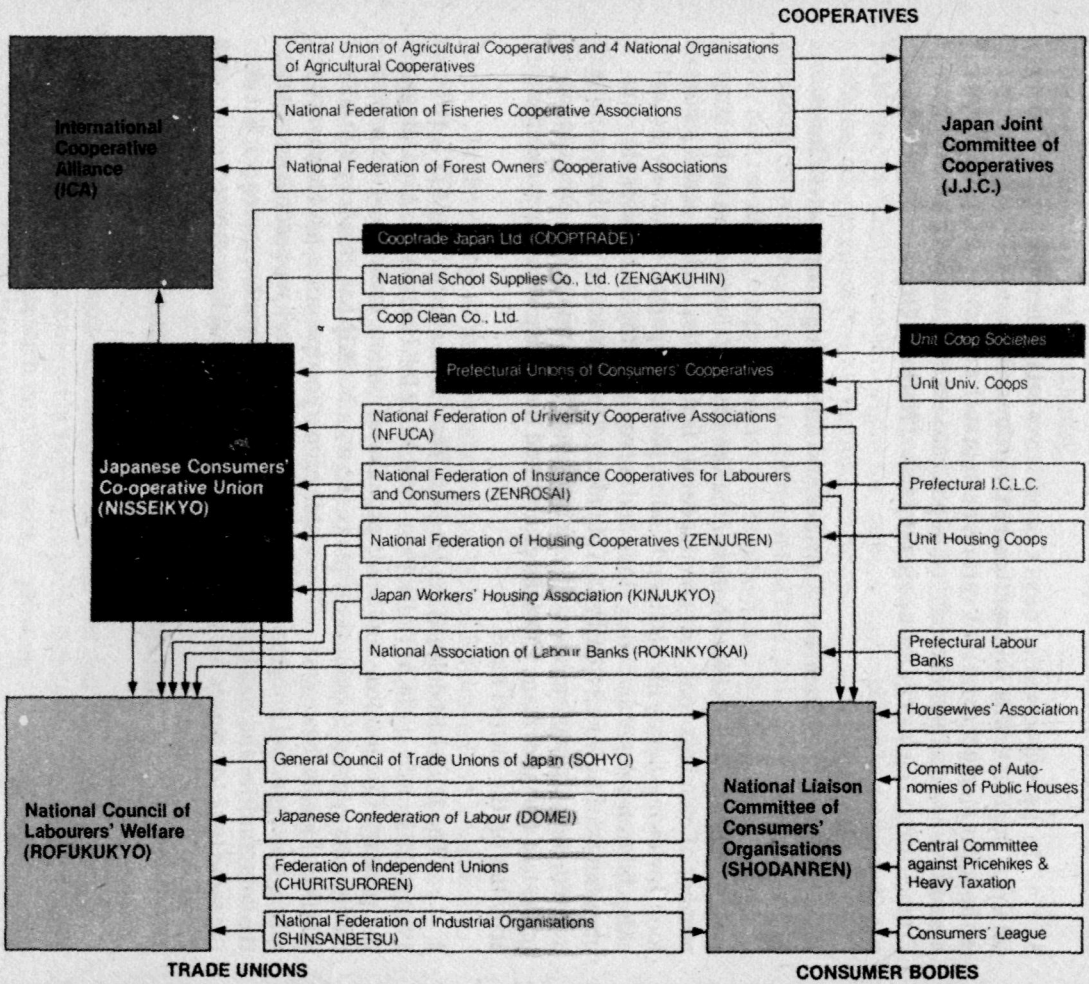
1. Members' activities flourished on the basis of their wishes and a large number of members took part spontaneously in activities such as seeking safer food, reviewing dietary life and merchandise, peace campaigns, voluntary mutual aids, children-related activities, study and survey on living and household economy, fund raising for UNICEF, etc. Members also took active part in recruiting new membership and concentrating their buying power on the CO-OP products. In the late seventies many CO-OPs established the policy to promote members' activities on the district basis.

2. The JCCU established the Medium Term Plan after 1978 (MTP I: 1978-1980, MTP II: 1981-1983, MTP III: 1984-1986, MTP IV: 1987-1989). Accordingly, the primary Cooperatives and their prefectural unions formulated their own medium term plans. Under these plans, the membership has grown by 800,000-900,000 annually these years and the viable primary cooperatives have been set up through mergers and integrations. Thus, the cooperatives have become known in the communities and social confidence in the cooperatives has increased, but at the same time the moves for restricting cooperatives also have grown.

4. The following is a chart of the JCCU organizational structure.

ORGANISATIONAL STRUCTURE

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4. SOUTH KOREA

(Presented by Messrs.Kyu Seok Kim,Dy.General Manager,
Coop Chain Store Department, NACF
& Ho Kyum Lee, Asstt.Director, International Division,NACF)

I. General Information of Cooperatives in Korea

There are various types of cooperatives in Korea: agricultural cooperatives, fisheries cooperatives, livestock cooperatives, credit unions and consumer cooperatives. Agricultural cooperatives and livestock cooperatives have been established in the rural sector and fisheries cooperatives in the fishing areas.

Agricultural, fisheries and livestock cooperatives which belong to multi-purpose type have been organized vertically at two levels: primary societies at township or county level and the national federation at the apex level. As of the end of 1987, there were 1,463 primary agricultural cooperatives at township level, 159 primary livestock societies at county level and 72 fisheries cooperatives at country or regional level.

The credit unions have been established at village or regional level which numbered 1,498 in 1967 and these primary credit unions are affiliated with the Federation of Credit Union.

Despite the development of multi-purpose type agricultural cooperatives started from early sixties, the consumer cooperatives in Korea has not been developed as much.

Therefore the consumer cooperative movement in rural areas was begun by the agricultural cooperatives when they started to operate cooperative chain-stores for the benefit of member farmers. On the other hand, the consumer cooperative movement in urban areas was initiated from early seventies by different type of organizations such as credit unions and trade unions of large companies and institutions. However, it was reported that 79 consumer cooperatives have been established recently with no active collaboration among these cooperatives.

Table 1. Number of Cooperatives and member by type (as of 1987)

Type		No.of organizations		No. of Members (in 000's)
		Apex organi- sations	Primary organizations	
Multi-purpose Coops	Agricul.	1	1,463	2,076
	Fisheries	1	72	
	Livestock	1	159	
	Sub-total	3	1,694	

	Credit	1	1,498	925
Single Purpose	Consumer	1	79	113
Cooperatives	Sub-Total	2	1,577	1,038
	TOTAL	5	3,277	3,323

Table 2. Number of Employees by Cooperative (As of 1987)

Type of Coops.	No. of Employees		
	Federation	Primary Orga.	Total
Agricultural	12,768	33,188 (9,564*)	45,956
Fisheries	2,001	4,555	6,556
Livestock	1,500	7,779	9,279
Credit	-	-	-
Consumer	-	-	-

*Number of female employees

II. Consumer Cooperative Movement in Korea

1. Purchase shops of the Credit Union

The credit unions in Korea began to operate purchase shops to supply consumer goods at reasonable prices to their members in 1973, while the main function of credit unions is financing activities. Thus, only 75 credit unions have been operating purchase shops as of the end of 1987.

The operation of purchase shops by credit unions is based on the clause of Credit Union Law, in which it is stipulated that credit unions can carry on activities for the development of regional community.

2. Purchase Shops of the Trade Unions

Even though the first trade union in Korea had been organized early in 1921, it had shown a very slow development by the 1960s. Therefore, the development of purchase shops of the trade union started from the early 1970s.

With the increase in the number of labourers along with the rapid development of the national economy, the need for betterment of their economic status began to be emphasized gradually. Therefore, the trade union began to reorganize its system for the effective achievement of their goals.

Now 250 union shops are operating purchase shops for the benefit of members.

3. National Federation of Consumer Cooperatives

Even though the movements to establish the national apex organization of consumer cooperatives started in early 1980s by voluntary leaders, it was in March 1987, when the establishment of the National Federation of Consumer Cooperatives approved by the government after the enactment of Consumer Protection Law in the end of 1986. The federation was established in an effort to promote consumer cooperative movements and to secure fair trade of consumer goods, thus realizing the healthy consumer environment. To this purpose, the federation conducts various activities including research, public relations, education and guidance for establishing new cooperatives. According to the by-laws of the National Federation of Consumer Cooperatives, member cooperatives can be classified into three kind; regional cooperatives, employees' cooperatives and school cooperatives.

As of March 1988, 79 member societies are affiliated with this federation with 113,000 member consumers. However, the business activities of the federation is still at its infant stage.

4. Consumer Cooperative Movement by Agricultural Cooperatives

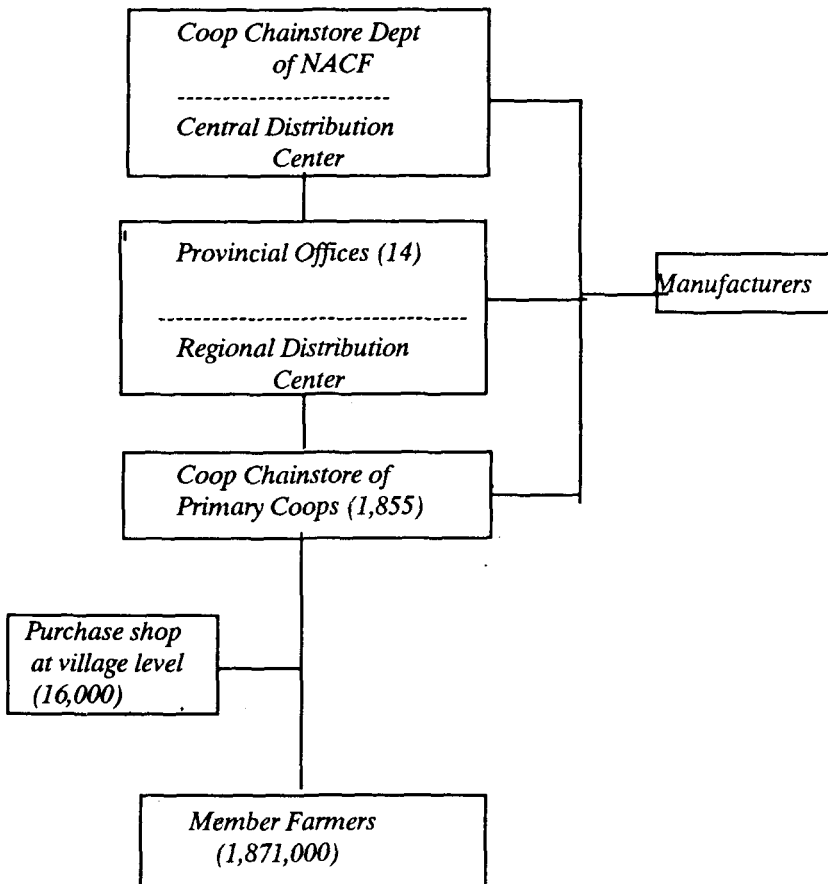
Village level cooperative purchase shops in rural areas have been established from 1961 when multi-purpose agricultural cooperatives were organized according to the enactment of Agricultural Cooperative Law. The items handled by cooperative purchase shops were limited to 7 items including shoes, stationery, textile, soaps, etc.

In 1970s, the village level cooperative purchase shops had been merged into township level cooperative chainstores by the merger programme of small scale cooperatives into township level cooperatives.

The Central Distribution Center of Consumer Goods was established in the National Agricultural Cooperative Federation (NACF) in 1970 in order to provide member cooperative chainstores efficiently with consumer goods of good quality at reasonable price. The cooperative chainstore business has been conducted and supervised by the Cooperative Chainstore Department of NACF newly established in 1970. The operation of cooperative chainstores was based on the Agricultural Cooperative Law which was enacted in 1961.

A chart showing the organizational structure of the Cooperative Chainstore business of NACF is given on the following page:

1. **Organizational Structure of Cooperative Chainstore business**



2. **Functions of Cooperative Chainstore Business**

a) Cooperative Chainstore Department of NACF

- i) Formulation of basic business operational policy
- ii) Conclusion of contracts with manufacturers for the consumer goods to be supplied from the Central Distribution Centre
- iii) Guidance for the operation and management of cooperative chainstores
- iv) Operation of Central Distribution Centre

- v) Training and public information activities relating to the chainstore operation.
- b) Provincial Offices
 - i) Conclusion of contracts with manufacturers for the consumer goods to be supplied from the Regional Distribution Center
 - ii) Guidance for the management of cooperative chainstores
 - iii) Intermediation works between the Central Distribution Center and chainstores of primary cooperatives
 - iv) Operation of Regional Distribution Centres.
- c. Chainstores of Primary Coops
 - i) Procurement of consumer goods from the NACF and the provincial offices of the NACF
 - ii) Purchasing of consumer goods from local manufacturers
 - iii) Distribution of consumer goods to member farmers or to the village level purchase shops.

Each cooperative chainstore selects the items to be sold through their chainstore on the basis of the likes and demand of member consumers. Purchase items of consumer goods are divided into two kinds: one purchased through the distribution centres of NACF and another one purchased from local manufacturers of sales agents.

In the former case, the chainstore department of NACF concludes the contract with the manufacturers on the prices of items to be supplied at the distribution center. When the chainstore department selects the items and supplies, only the reliable manufacturers with quality products can be contract suppliers. Cooperative chainstores purchase the contracted items on credit at the Central Distribution Center or regional distribution centres where the sales agents of manufacturers are accommodated.

On the other hand, each cooperative chainstore can independently purchase some specific items from outside the distribution center of NACF. These specific items are as follows:

The goods which cannot be supplied from the NACF under favourable conditions.

- The goods which are typical of the locality and popular among the local consumers.
- The goods to be purchased on consignment by the member farmers.
- The goods whose demand is seasonal, urgent and small.

3. Business Situation

a) Turnover of Consumer Goods supplied by Coop.Chainstores

The turnover of consumer goods supplied by cooperative chainstores in 1987 recorded 314 billion Won (US\$ 449 million equivalent). This figure shows the annual increase rate of 27.3% per cent during 1975-1987 as shown in table 3. The rapid increase of turnover of consumer goods was due to the increase of farm household income as well as the expansion of handling items of the coop chainstore. The market share of cooperative chainstore occupies about 20 per cent of total consumer goods purchased by consumers in rural areas.

Table. Turnover of Consumer Goods by Year

Year	(Unit: hundred million Won)				
	1975	1980	1985	1986	1987
Turnover	173	952	2,013	2,576	3,142

As of the end of 1987, the Central Distribution Center of NACF concluded sales contracts with 361 leading manufacturers. Therefore, the items supplied through the Central Distribution Centre include foods, clothes, tableware, stationery, electronic home appliances, furniture, etc. which totaled 3,149 items.

Table 4 shows the average composition rate of turnover by category of items at coop chainstores. Groceries are the largest category which occupies 48.3% of total sales turnover, followed by durable consumer goods such as electronic home appliances and furniture.

Table 4 - Composition of Turnover by Category

Category	Composition Rate (%)
Groceries	48.3
Clothes	2.7
Tableware	2.0
Durable Consumer goods	25.2
Hygienic goods	7.7
Others	14.1
Total	100.0

b. Profitability of Cooperative Chainstore

Average profit and loss account per cooperative chainstore in 1986 is shown on Table 5.

Table 5.
(in thousand Won)

Sales Margin	Selling Expenses	Sales Profit	General and Admn Expenses	Net Profit
15,156	2,879	12,277	14,779	-2,502

c. Sales Policy

i. Supply of Quality goods at Lower Price:

Cooperative chainstores supply consumer goods at lower prices to farmers through the concentration of purchasing power of individual member consumers and the direct linkage between manufacturers and consumers. According to the statistics on service charge of cooperative chainstore, cooperative chainstores charged 6.1% of margin on the purchase price which is lower than that of private retailers by more than 8 percent point.

ii. Operation of Purchase Centre by Women's Club:

Women's clubs have been organized at the village level by women of member farm households. Their major roles are the promotion of savings, rationalization of consumption, improvement of living surroundings, implementation of family planning, etc.

The cooperative chainstore of the primary cooperatives supply consumer goods through the village level purchase centers operated by these women's clubs in an effort to provide convenience to farmers living in areas far from the cooperative chainstores.

The women's clubs purchase consumer goods from the cooperative chainstores on credit and sell them to member farmers in cash or on credit. The prices of consumer goods supplied to the purchase centers are the same level as the prices received by the cooperative chainstores.

And thus, the women's clubs are encouraged to patronize the cooperative chainstores by granting a sales bounty to them according to the amount of sales by month or quarter. This bounty is accumulated and used for the various

activities of the women's clubs.

In addition, the representatives of women's clubs participate in the decision-making process of the cooperative chainstore management including the selection of items and price negotiations.

iii) **Operation of Mobile Store:**

The cooperative chainstores have operated mobile stores in an effort to provide members with convenience and to increase the utilization of cooperative chainstore by members. The mobile stores are very popular among member consumers living in remote areas particularly during farming season.

The operation of mobile stores is considered to be important in two aspects. Firstly, the mobile stores provide a variety of consumer goods to farmers who have access to small-scale purchase centers with limited convenience items. Secondly, the mobile stores provide delivery service to the farmers who have ordered durable goods such as refrigerators or TV sets.

d. **Transportation**

When the cooperative chainstores purchase the consumer goods from the suppliers, the transportation is carried on by the purchasing cooperative chainstore. For the transportation arrangements, each cooperative chainstore owns their truck.

e. **Tax Concessions for the Cooperative chainstore**

The cooperative chainstore is exempted from the value added tax when they sell consumer goods to member consumers. The purpose of tax concession is to encourage the consumer cooperative movements in rural areas. However, 10 percent of value added tax is added to the sales price of private retailers.

4. **Business Improvement Plan for the Cooperative Chainstore**

a. **Modernization of selling environment**

- expansion of the chainstore building
- education of salesmen

b. **Participation in food processing by cooperatives**

- self supply of specific food items to be sold
- self supply of raw materials for processing
- realization of cost-down.

- c. Strengthening of inspection
 - equipment of inspection facilities
 - quality improvement
- d. Introduction of POS system
 - automatic stock control
 - saving of labour cost

III. Provisions for Consumer Protection

1. Enactment of Consumer Protection Law

It was in recent years that consumer protection became a matter of public interest. During the period of rapid economic growth since 1960s, government was more concerned with economic growth and increase of productivity than the consumer protection. Therefore the enactment of law and the establishment of institution were delayed until 1980s.

The government enacted Consumer Protection Law in 1980, which was newly revised in 1986. The new law was promulgated to enhance and rationalize consumer environment and to elucidate the duty of government, entrepreneur and institutions for the consumer protection. The main contents of the law are as follows:

- *stipulation of basic right of consumers
- *policy implementation on standardization of consumer goods
- *regulations on the advertisement by manufacturers
- *duties of suppliers for the protection of consumers
- *provision of legal basis for the activities of consumer organizations
- *organization of the Council of Consumer Policy to draft the consumer protection policies
- *establishment of the Board of Safeguard of Consumers to deal with consumer's problems and compensate for the loss of consumers.

The enactment of the law provided new environment for the active and systematic consumer protection. It is considered that the cooperatives which were operated on the ground of different laws will be united under the law and the consumer protection movement will be more activated and strengthened.

05. MALAYSIA

(Presented by Dato' Hamzah bin Haj Yatim,
Chairman, ANGKASA Consumer Functional Group)

1. INTRODUCTION

Since Malaysia had its independence in 1957, the country has grown and developed significantly. One of its distinctive developments is the development of the Cooperative movement.

Historically, the development of consumer cooperative movement in this country had been gradual and spread over a period of years. The actual promotion of this movement had been one of forced growth resulting from measures of deliberate policy on the part of the Government as a consequence of internal and external stimuli.

The consumer cooperatives started in this country only in 1930s. By 1940 there were only 2 consumer societies. Between 1941 to 1950, the progress was slow and haphazard. By 1950, there were 21 consumer societies registered.

Today, there are about 240 consumer cooperatives in the country with a membership of 90,000 and paid up capital of M\$ 16 million. They are operating 266 retail outlets and registered annual sales turnover of about M\$ 140 million.

The organizations and agencies which support the consumer cooperative movement are as follows:

- Cooperative Development Department,
- Farmer Organization Authority,
- Federal Land Development Authority,
- Rubber Industries Smallholder Development, Authority,
- Fishery Development Authority, and
- Consumer Association.

2. THE TYPES OF CONSUMER SOCIETIES

Generally, the consumer movement had been developed in the following district sectors:

- i. In Land Development Schemes like FELDA, FELCRA, KESEDAR,
- ii. In places of employments and other occupational groups,
- iii. In Malay Kampong or villages,
- iv. In Chinese New Villages,
- v. In Urban Areas,
- vi. In higher Institutions, and
- vii. In Schools

As seen from the above, most of the consumer cooperatives are closed type except those consumer shops in the urban areas. It is learnt that out of 240 consumer cooperatives, there are only 74 that are open type consumer cooperatives with an annual sales of M\$ 43.88 million and they represented membership of 28,150 people.

3. FACTORS THAT CONTRIBUTE TO THE SUCCESS OF CONSUMER COOPS

- i. Supply of goods at fair prices and good quality,
- ii. Good services to members and customers,
- iii. Conducive facilities for shopping i.e. shop hygiene and displays,
- iv. Information on the good availability and price of the goods to members and customer,
- v. Efficient and effective management,
- vi. Viability of the business must be ensured and monitored,
- vii. Equitable participation of the members should be reflected,
- viii. Proper control of credit and an effective recovery system.
- ix. Good stock control, and
- x. Government backing.

4. PROBLEMS OF CONSUMER COOPERATIVES

As mentioned earlier, the growth of consumer cooperative movement in this country has been slow and haphazard. This is due to some of the problems faced by the consumer cooperatives such as:

- i. Stiff competition from the private sector,
- ii. Inefficient management,
- iii. Lack of sufficient working capital,
- iv. Excessive grant of credit without effective recovery,
- v. Disloyalty of members,
- vi. Poor continuity of supply of goods,
- vii. Leakages,
- viii. Poor goods assortment,
- ix. Insufficient volume of business,
- x. High purchasing price of goods, and
- xi. Poor procurement methods.

5. EXAMPLE OF SUCCESSFUL CONSUMER COOPERATIVE The Malaysian Cooperative Consumer Society Ltd (MCCS)

MCCS AND ITS BUSINESS ACTIVITIES

The history of the Malaysian Cooperative Consumer Society Limited

(NCCS) began nearly 2 decades ago on July, 1969. It was then called the Malaysian Cooperative Agencies Society Limited.

A cooperative body, its primary aim was to serve the needs of its members and the public at large. With objectives to expand its activities to a wider spectrum and to reflect its emphasis on consumerism, it changed to its present name - the Malaysian Cooperative Consumer Society Limited (MCCS) in 1984.

Today, MCCS has reached for higher aspirations in helping to form a national cooperative consumer movement. It is involved in a wide spectrum of business fields.

- i) Wholesaling and retailing of consumer home appliances (PROKOP) -40 showrooms throughout Malaysia.
- ii) Supermarket business (KOMART).
- iii) Import and export and general trading activities.
- iv) Central buying and warehousing activities.
- v) Provision of general insurance services.
- vi) Marketing furniture products and undertaking general renovation works.

The shareholders of the society (which are secondary cooperative societies) and their equity interest in the society are as follows:-

	<u>Equity Interest (%)</u>
The Cooperative Central Bank Ltd.	62.2
The Malaysian Coop Insurance Society Ltd	33.1
National Land Financial Coop Society Ltd	2.6
The Malaysian Coop Supermarkets Society Ltd	2.0
Johor Coop Industrial Dev. Society Ltd	0.1

	100.0

In line with the cooperative principles, MCCS has amended its By-laws to include primary cooperative societies and individuals as members.

MCCS can be considered as one of the leading and largest consumer cooperatives in the country. It has a paid-up share capital of M\$9,740,000.00 as at 1.1.1988 and employs a current work force of about 200.

MCCS being a national level cooperative consumer society, vested with the responsibility of promoting cooperative consumer activities in the country

can effectively execute this task through the active participation and support of cooperators and consumers alike. Through this support, it can contribute towards improving the socio-economic status of cooperators in particular and consumers in general.

6. THE INVOLVEMENT OF HOUSEWIVES IN CONSUMERS COOPERATIVES

Undoubtedly the involvement of women and housewives in the consumer cooperatives are very important. About 30% of the cooperative members in this country are women.

Except for women cooperators, the involvement of women and housewives in the movement particularly in the consumer movement has been very passive. There is a need to encourage the women and the housewives to participate actively in the consumer cooperatives.

Recently in FELDA schemes, there is a growing interest among the women and the housewives to participate in their consumer cooperatives. Cooperatives in other agencies such as RISDA and cooperatives in urban areas also have similar interest. Some forums of involvement among these women and housewives are :

- a) Active members who buy from their cooperatives,
- b) Active members who attend their annual general meetings, and
- c) Members in their women's unit whereby they organize consumer education programme and other education programmes.

7. CHALLENGES OF CONSUMER COOPERATIVES

The main challenge faced by the consumer cooperatives in this decade is to maintain and uphold the 'Cooperative Identity'. In this regard consumer cooperatives should devise a policy which ensure the active participation of the members. Whereas the business policy of the cooperatives should be in line with the aspiration of the members.

Consumer cooperatives are owned by the members which provide goods and services to the members. As such they should be informed of the differences between the benefits and objectives of cooperatives and in women cooperatives. This will create greater interest among the members and women members towards the cooperatives.

Efforts to increase the working capital, to encourage more member participation especially among the women and the housewives in the consumer

cooperatives should be implemented. Cooperatives should upgrade their performance by improving their business activities. With the participation of members in particular the women and housewives, they will help to increase the cooperatives' turnover.

On the other hand, cooperatives must organize training programmes to ensure active member participation. This area of activity has long been neglected by the cooperatives.

Honesty and commitment among the employees and the board members are very necessary to face the challenges in the cooperatives. Between them there should be good understanding and cooperation in order to focus their effort towards the achievement of the objectives of the societies.

The board members or the committee of management should not be afraid to make decisions as long as they conform to the cooperative ideology and to the cooperative laws. Whereas the management should be more professional in managing the business operation of the cooperatives in order to face the competitions from the private sector. They must develop positive attitudes, dedication and be innovative to suit the current needs of the members.

8. CONCLUSION

ANGKASA, the apex body of cooperatives in Malaysia, through its consumer and women functional groups have carried out several programmes to increase the participation of women in consumer cooperatives and also to create awareness among them their role as consumers.

One of the programmes is the campaign to encourage all consumer cooperatives to form women units. These women units provide a platform for the women members to organize various programmes such as consumer education, membership drive, promotion of cooperatives, etc.

With regard to consumer education programmes, the Women Functional Group of ANGKASA is collaborating with FOMCA i.e. the Federation of Malaysian Consumer Associations.

Thus the consumer cooperative movement in this country has made its steps towards better and stronger movement with the active participation of all its members.

We believe in our motto which says, "One for All and All for One".

06. PHILIPPINES

(Presented by Mr. Emilio P. Dilan, President, Metro Manila Federation of Consumer Cooperatives)

I. PRELIMINARY STATEMENT

The Consumers Cooperative movement in the Philippines is slow in its development particularly in the organization of open-type or community-based consumer cooperatives either in the urban or rural areas of the country. This is due to many factors mainly: the lack of interest of the community as a whole due to inadequacy of proper information and education on the virtues of cooperatives; and the policy of the government of minimal support in the actual development of consumers cooperatives. Much of its promotion and development, therefore, are being undertaken by the private sector, it appears that the government's thrust has always been directed towards the massive development of agricultural cooperatives.

II. THE CONSUMERS COOPERATIVES

The current situation of the development of consumers cooperatives in the Philippines was clearly depicted in the February 1987 consultancy Report of Mr. M.K. Puri, Adviser of the Consumers Cooperative Development. Per Report, statistics gathered as of December 31, 1986 show that there were 804 registered consumers coops organized in the various parts of the country distributed in the 13 regions. Since no accurate records could be had except for the total number of consumers cooperatives at the time, yet it can be estimated that at least 50% are in active operation. Most of these cooperatives however are the close type organized and operated by employees established institutions as in government and private offices, factories, hospitals, banks, schools, colleges and universities and therefore have limited memberships and serve a limited number of people.

It has also been reported that open-type or community based consumers cooperatives are only 22% of the total number of cooperatives organized and registered in the National Capital Region as of December 31, 1986. About 80 percent of the open-type or community-based consumers cooperatives are in the rural areas.

PROBLEMS

As can be gleaned from the Consultancy Report of Mr. Puri prepared in February, 1987, several problem areas have been pinpointed and encountered in the Philippines, among which are as follows:

1. Communities all over the country are not yet fully aware of the real virtues of consumers cooperatives. Under the present situation, consumer cooperatives could not successfully compete with well-equipped supermarkets

and department stores as the operation of the cooperatives are not fully supported by the community.

2. The organization of numerous small societies with little or no support from the communities particularly the housewives constitute one of the many problems that snagged the speedy development of consumers cooperatives in the country.

3. Likewise, the problem of proper development of human resources for the movement is one of the main reasons for the slow development of consumer cooperatives. There is no satisfactory arrangement or substantial assistance from the state. As of now, only the Cooperative Union of the Philippines with affiliation with the NATCCO are able to establish their training institutes and technical expertise along cooperatives.

4. Also, one of the main problems which snags the progress of consumer cooperative development is the absence of a strong wholesale consumers cooperative at the national level. Primaries have no recourse but to deal with private wholesale business organizations which dictate the prices of commodities.

5. Again there is dire need for financial assistance and consultancy in the formation of a wholesale society at the national level and in the massive and continuous proper training of human resources for the movement.

As a result of the study mission undertaken throughout the country which was aimed at assessing the strength and weaknesses of the consumers cooperatives, ten (10) recommendations were cited in the ICA Consultancy Report for the promotion and development of an effective consumers cooperative movement in the country. These are:

- i. Redefinition of objectives of consumer cooperatives with greater emphasis on consumerism,
- ii. Organization of sizeable number of viable consumer cooperative societies with open and broad based membership,
- iii. Serious attention for proper development of human resources for the movement,
- iv. Introduce the practice of preparing an annual work-plan and budget in each consumer cooperative,
- v. Introduction of a uniform management-oriented accounting system in all consumers cooperatives in the country,
- vi. Re-organization of the University Consumers Cooperatives into Student Cooperatives,
- vii. Need to strengthen share capital base and own funds of consumer cooperatives,
- viii. Need for a strong wholesale union of consumers cooperatives at the national level,

- ix. Organization of a union of consumers cooperatives in each administrative region,
- x. Prescribe standard efficiency norms to judge performance of retail societies.

In view of the findings and subsequent recommendations contained in the said Consultancy Report, consultative conferences were conducted in three areas in Luzon, Visayas and Mindanao among various consumer cooperative leaders with Mr.Puri to discuss the ten recommendations to strengthen the cooperative movement in the country.

The conferences were held at the following locans and dates:

- i. Cagayan de Oro City- March 19-20,1988
- ii. Cebu City - March 23-24,1988
- iii. Metro-Manila - March 28-29,1988.

Among others, the discussions centered on these two recommendations: one relating to the structure of consumers cooperative movement and the other relating to the reorganization of the existing university cooperatives after the Japanese Model. Regarding the former, it was the consensus that there is a felt need among primary consumers cooperatives for a federation of their own at the national level which can coordinate their activities, consolidate their achievements, pool their experiences and provide direction, guidance and support. However, in the business function of the wholesale society, the participants cautioned to profit from previous mistakes which resulted in failure and disillusioned primary cooperative investors.

Regarding the reorganization of the existing university cooperatives after the Japanese model, the participants agreed for university consumers cooperatives to admit students into their membership and allow them due representation in the board of directors of these cooperatives. However, it was pointed out that whereas the university cooperatives in Japan may be very strong and successful because the Japanese students are generally disciplined, the applicability of reorganizing university consumers cooperatives into student cooperatives in the Philippines was recommended for careful study due to some setbacks such as temporary tenure of students in the university and student organizations' political drive to set up bailiwicks.

III. CURRENT DEVELOPMENT

As soon as the three area consultation conferences have been completed, positive initial activities have been undertaken by the consumers cooperative leaders, leading towards the implementation of said recommendations of strengthening the consumers cooperatives in the country. In June 1988, the leaders had

a follow-up consultation meeting with Mr.Puri at the Cooperative Union of the Philippines (CUP), Manila and discussed the formation of a federation of consumers cooperatives at the national level. After careful deliberation, the attending leaders agreed to form a core group to spearhead the planning of the National Federation of Consumers Cooperatives with the Metro Manila Federation of Consumers Cooperatives (MMAFECCO), a regional federation of the National Capital Region, as the focal centre for communications and coordination.

Among the ten recommendations embodied in the Consultancy Report submitted by Mr.M.K.Puri, the MMAFECCO has given serious concern on two priority areas of activity, namely:

- a) The need to pay serious attention to the proper development of human resources of the movement, and
- b) The need for strong wholesale and union of consumers cooperatives at the national level.

An integrated project entitled "Establishment of a National Distribution Center for Consumers Cooperatives and Development of Human Resources" integrated the aforementioned ICA recommendations has been prepared by MMAFECCO in consultation with CUP. The rationale behind this project proposal is two-fold; firstly, there is apparent felt need among the primary consumers cooperatives throughout the country to have a strong parent organization to provide them with leadership, direction, guidance and develop wholesale trading activities; and secondly, it is imperative to have continuing education and training of the human resources of the consumers cooperative movement as human resource is a vital component for the success of the consumers cooperatives and presently, there are no satisfactory arrangements for such education and training.

The said project proposal has been submitted by the CUP to the ICA for consideration and possible inclusion in the work programme of the ICA Consumer Cooperative Development Project activities for the year 1989-90.

IV. PROSPECT OF CONSUMERS COOPERATIVE MOVEMENT IN THE PHILIPPINES

Although in the recent past, the actual development of the Consumers Cooperative movement in the country rests mainly on the efforts and strategies of the private cooperative sector, later development points to government assistance by way of legislative action and laws favorable to the development of cooperatives in the country. Foremost in this direction is the enshrinement in the 1987 Constitution of the Philippines mandating Congress to create an agency to promote the viability and growth of cooperatives as instruments for social justice

and economy development. Congress, on its part, favourably acted on a bill to create a Cooperative Development Authority or Commission to consolidate all kinds of Cooperatives in the country including those of the consumers cooperatives.

Likewise, the Cooperative Code is now on its way for approval in Congress. The final approval of the Bill will consequently unify all cooperative laws and create a bigger government agency to administer and supervise all types of cooperatives.

V. CONCLUDING STATEMENT

After the three area consultation conferences, whereby the ICA findings and recommendations for the promotion and development of an effective consumers cooperative movement in the Philippines have been fully deliberated and subsequently agreed upon; after the Metro Manila Federation of Consumers Cooperatives has taken up the challenge of putting into a reality two of these important recommendations in order to give life and meaning to the consumers cooperative movement in our country, still much more has to be accomplished.

In the spirit of international cooperation, the genuine support and assistance of the International Cooperative Alliance and other foreign cooperators, particularly in evolving strategies in the implementation of each cited 10 ICA recommendations, develop action plans and perspective planning for an active and sound consumers cooperative movement of our country cannot be more stressed at this time. It is therefore timely and fortunate for us to focus attention on this realistic approach of strengthening the consumers cooperative movement in the Philippines.

07. SINGAPORE

(Presented by Mr. Peter Chan, Marketing Services Manager,
NTUC FairPrice Cooperative)

I. GENERAL INFORMATION

Today, there are 59 registered cooperative societies in Singapore with a total membership of 323,124 and a paid up capital of over \$ 111.4 million.

They can be classified as follows:

	No. of Coops	*No of personal members	*No of institutional members
Thrift and Credit	29	31,622	6
Multi-purpose	16	24,789	3
Consumer	4	102,125	73
Housing	1	2,477	0
Insurance	1	144,659	67
Transport	1	6,059	30
Medical	1	0	23
Service	3	11,086	23
School Coops	1	308	0
Investment	1	0	0
Apex	1	0	51

** No of Employees

Thrift and credit	41
Multi-purpose	19
Consumer	1,468
Insurance	147
Transport	186
Medical	1
Service	1
Apex	7

** Employees of cooperative societies as at 1984.

II. BRIEF HISTORY OF CONSUMER COOPERATIVES

In the thirties, a small group of public-spirited and cooperative oriented men organized some 100 families into what was to be the pioneer of the coopera-

tive movement in Singapore. The group collected orders and arranged delivery of the monthly requirements at competitive prices. However, it had to abandon its efforts for want of official recognition from the Director of Cooperatives.

The post-war period saw a group of professionals comprising lawyers, university lecturers and school teachers established the first Singapore Cooperative Stores Society Ltd. in August 1946 when black-marketing was flourishing. The society drew overwhelming response from a rapidly increasing membership. The society paved the way for the development of the consumer cooperative movement in Singapore.

The close of the fifties witnessed the mushrooming of a dozen small cooperative stores and shops in Singapore. But the cooperative efforts seemed to have waned towards the sixties.

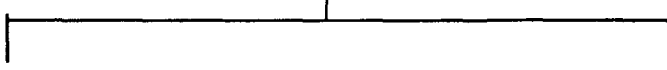
The significant development of the cooperative movement in Singapore since 1970 was the launching of cooperative ventures by the Singapore National Trade Union Congress (NTUC) and its affiliated unions. These ventures were meant to provide for more economic and social benefits to the workers by letting them have a stake in the economy of Singapore. The Modernization Seminar organized by the NTUC in November 1969 provided the blue-print for the formation of cooperatives with the backing of the labour movement. Within a span of nine years (1969-1978), 13 cooperatives were established by the NTUC and its affiliated unions.

Two of the biggest consumer cooperatives, NTUC Welcome and SILO were set up during the '70s against a background of rampant inflation.

In 1983, they were merged to form NTUC Fairprice Cooperative. Now NTUC Fairprice has 35 super markets/department stores, an annual turnover of \$330 million in 1987 and a 112,000 strong membership.

III. STRUCTURE OF CONSUMER COOPERATIVES

SINGAPORE NATIONAL COOPERATIVE FEDERATION (SNCF)



**Affiliated cooperatives engaged in consumer activities.

**Of the 29 thrift and credit cooperatives, 16 multi-purpose cooperatives and 4 consumer cooperatives, a total of 7 cooperatives (comprising one thrift & credit, 3 multi-purpose and 3 consumer cooperatives) engage in consumer activities.

IV. FUNCTIONS OF CONSUMER COOPERATIVES

Details on Specific Cooperative

1) NTUC FAIRPRICE COOPERATIVE

*35 supermarkets/department stores all over Singapore, which are classified as follows:

		<u>No</u>
Mini-markets	1,500-2,200 sq.ft.	10
Fresh-markets	3,000-4,000 sq.ft.	3
Supermarkets	8,000-10,000 sq.ft.	19
Combination stores	25,000-36,000 sq.ft.	3
* Two coffee shops	2,000-3,000 sq.ft	
* One Printing workshop	5,000-6,000 sq.ft.	

2) CATHOLIC JUNIOR COLLEGE COOPERATIVE SOCIETY LTD

* One school book shop.

3) CHURCH OF SAINTS PETER AND PAUL COOP CREDIT UNION LTD

* One outlet doing consumer sales,tours,education,loancredit

4) JURONG SHIPYARD MULTI-PURPOSE COOPERATIVE SOCIETY LTD

* One mini supermarket

* Three canteens in the shipyard

* Provides transport services to employees and crew members.

5) NCEE ANN POLYTECHNIC CONSUMER COOPERATIVE SOCIETY LTD

* One book shop

6) NATIONAL UNIVERSITY (NUS) MULTI-PURPOSE COOPERATIVE SOCIETY LTD.

* Six retail outlets selling books, stationery, souvenirs and gift items, sale and service of IBM Personal Computers and Computer peripherals.

7) SINGAPORE POLICE MULTI-PURPOSE COOPERATIVE SOCIETY LTD

* Thrift & loans

* Two retail outlets selling household appliances, computers, furniture, etc.

* Runs holiday bungalows/chalets in collaboration with Police Welfare Council.

General Features

A) Imports

NTUC Fairprice imports rice, canned and frozen goods from countries like Thailand, Malaysia, Taiwan, Japan, Australia, France, Denmark, Holland, United Kingdom, New Zealand, etc. Estimated total annual imports are about S\$5 million for frozen goods and S\$1.8 million for groceries.

b) Warehousing and Wholesaling

Fairprice has a rice warehouse and warehouse for grocery goods. Wholesaling activities of Fairprice include the distribution of imported rice, canned and frozen goods and its house brand products to its 35 supermarkets/department stores, 1,200 provision shops, 30 franchise shops and other retail chains.

c) Retailing

The seven cooperatives which engage in consumer activities invariably operate retail outlets selling consumer goods ranging from basic necessities to household appliances and computers.

d) Consumer Credit

At least two of the seven cooperatives which engage in consumer activities provide low-interest loans or credit facilities to members for the purchase of goods sold by their retail outlets.

e) Consumer Education

NTUC Fair Price has various consumer educational programmes to

educate members on the proper handling of foods in supermarkets, benefits of unit pricing, etc.

f) Consumer protection

Through its wholesaling and retail activities which aim to sell goods to members at competitive prices, the cooperatives in Singapore are playing a useful role in protecting members from profiteering by unscrupulous retailers. NTUC Fair Price, being the market leader for rice and sugar and other basic necessities is effective in its social role in protecting members from irresponsible pricing by other retailers and thus helps to stabilize the cost of living in Singapore.

V. **BUSINESS SITUATION AND PROBLEMS OF CONSUMER COOPERATIVES**

A) Turnover of NTUC Fairprice Wholesale and Retail Business

1) Wholesale Business ('000)

<u>'83/'84</u>	<u>'84/'85</u>	<u>'85/'86</u>	<u>'86/'87</u>	<u>'87/'88</u>
S\$57,854	S\$45,551	S\$34,063	S\$27,187	S\$24,962

* With the government's relaxation of the rice import policy in April 1986, the number of rice wholesalers/ importers had more than doubled. Because of the very keen competition, the sales volume of rice had been reduced, causing the decline in the wholesale turnover.

2) Retail Business ('000)

<u>'83/'84</u>	<u>'84/'85</u>	<u>'85/'86</u>	<u>'86/'87</u>	<u>'87/'88</u>
S\$219,55	S\$250,516	S\$249,258	S\$267,478	S\$303,181

B) Market Share

The annual sales turnover of all supermarkets, department stores and provision shops in 1987-88 is S\$2.79 billion. Using the annual sales turnover as the criteria and assuming that the aggregate total sales turnover remains stable during the past 3 years, it appears from the following table that FairPrice, with increasing retail sales turnover, is commanding an increased market share of the retail business.

	<u>NTUC FairPrice</u>	<u>Yaohan</u>	<u>Cold Storage</u>	<u>Econ Minimart</u>
'85/'86	8.0%	-	-	-
'86/'87	9.6%	-	-	-
'87/'88	10.8%	8.6%	4.6%	51%

C) Profitability of NTUC FairPrice

	<u>'84/'85</u>	<u>'85/'86</u>	<u>'86/'87</u>	<u>'87/'88</u>
Net Profit percentage before tax	2%	1.7%	3.1%	5.2%
Net Profits ('000)	S\$2,603	S\$5,555	S\$17,462	S\$17,958

VI. DEMOCRATIC CONTROL AND MANAGEMENT

A) Nature of Legislation

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

B) Board of Management & Control by Members

Section 59 of the Cooperative Societies Act, (Cap 62) spells out the constitution of the Committee of Management. The Section states that every cooperative should have a Committee of Management consisting of not less than five and not more than thirty members; the Committee should comprise of a Chairman, Vice-Chairman, Secretary and Treasurer. The Committee of Management may however be empowered under the by-laws of the cooperative to appoint a Secretary and Treasurer or a Secretary or Treasurer from among the employees of the Cooperative, who, in such case, should not be a member of the Committee of Management but has the right and the duty to attend all meetings of the Committee of Management.

The election, appointment, term of office, suspension or removal of the members of the committee of management shall be as provided under the by-laws of the cooperative.

Cooperative societies in Singapore are democratic organizations. Their affairs are administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration is conducted on a democratic basis in a suitable manner.

VII. INVOLVEMENT OF GOVERNMENT

A) Financing

The Central Cooperative Fund (CCF) was established as a Trust Fund

pursuant to Section 71 of the Cooperative Societies Act, (Cap 62). The fund is under the control of the Minister for Community Development with a Committee to advise him on the administration of the Fund. The CCF, to which every cooperative society is required to contribute 5% of its annual net surplus, is intended to further cooperative education, training, research and audit and for the general development of the cooperative movement in Singapore.

B) Supervision and Audit

In its supervisory role, the Registry inspects the books of cooperatives, carries out examinations of the books of indebted societies and conducts inquiries into the construction, working and financial conditions of cooperatives.

The Registrar of Cooperative Societies has partially transferred the external audit function to the Singapore National Cooperative Federation (SNCF). At present, SNCF is providing external audit services to 29 of its affiliates and internal audit for 3 affiliates.

C) Management

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

The Registry provides a wide range of services to cooperative societies. It gives advice on matters relating to the Act, questions of procedures and registration, drafting and preparation of by-laws or rules, procedure relating to transfer of engagements and amalgamation and formation of new societies besides liquidating non-viable cooperatives.

It administers the Central Cooperative Fund and the Cooperative Societies Liquidation Account. Information on cooperative principles and practices and management are provided. The Registry also compiles statistics on cooperatives and publishes information pamphlets on cooperative subjects.

D) Tax Concessions

Cooperatives in Singapore are exempt from income-tax under Section 13(1)(f)(ii) of the Income-tax Act, (Cap.134).

08. SRI LANKA

(Presented by Mr.M.D.Siripala, Chairman-Sri Jayawardhanepura MPCPS Ltd

01. GENERAL INFORMATION

The Consumer Cooperative movement in Sri Lanka today plays a signifi-

cant role in the country with 283 multi-purpose cooperative societies and a network of about 9000 branches. The Government of Sri Lanka is very much concerned, as it is the only available means through which it could ensure that consumer products can reach the consumers with speed and accuracy specially in a crisis situation. During the World War II, there was a remarkable increase of consumer cooperative societies in the country and they afforded the distribution of rationed consumer commodities. Even today any shortage of food supplies will not affect the people so much as available supplies could be evenly distributed through this network thus avoiding a crisis.

1.01 No. and type of Cooperative organizations

Besides the Consumer Cooperative societies, there are other types of primary societies such as credit, industrial dairy, fisheries, schools, etc., the sum total of all being over 6,300 today (Refer Annexure 01).

1.02 Members

At the end of 1986, the total number of members in all types of societies was 3,141,163. Out of this, the number of members in the Consumer cooperatives on this date was 2,084,789. This shows that 66% of the total members were those of consumer societies (Refer Annexure 02).

1.03 Employees

The number of employees in all cooperative societies are roughly between 50,000-55,000. Of this number, nearly 32,000 i.e. 64% are employees of multi-purpose cooperative societies. A break down of the employees in the 265 multi-purpose cooperative societies are given in Annexure 03.

02. HISTORY

The first consumer cooperative societies were organized in the plantation sector of the country with the objective of supplying the basic consumer needs of the estate labour. Many of the societies outside the estate sector were organized in institutions with a large work force. The economic circumstances of severe scarcity and rigid controls imposed by the Government due to the World War II, demanded the immediate necessity of a fair and equitable distribution system in the country. The Government found that the cooperatives could handle this situation and there was a remarkable growth of stores societies in the country which formed the wartime distribution system. During the period 1942-45 an intensive drive was launched throughout the country to establish cooperative stores societies which resulted in increase of the 38 societies in 1942 to 4,004 in 1945 with an increase of membership from 17,500 to 1,010,000 as shown below:

Table 1

<u>Year</u>	<u>No. of Societies</u>	<u>Membership</u>
1942	38	17,500
1943	845	239,000
1944	3,627	826,000
1945	4,004	1,010,000

Source: Statistical review of Cooperative Consumer Societies in Sri Lanka 1974 (P2 C.M.S.C.)

This speedy growth of Consumer cooperative societies was retarded during the period 1945 to 1957. The number of societies was reduced to 2,569 with a membership of 690,000 as shown in Table 2.

Table 2

<u>Year</u>	<u>No of Societies</u>	<u>Membership</u>
1945	4,004	1,010,000
1950	3,523	907,000
1955	2,720	725,000
1957	2,569	690,000

Source Statistical review of Cooperative Consumer activities in Sri Lanka 1974 (P2 C.M.S.C.)

This was mainly due to the closure of the weak and inactive societies and the establishment of private sector business. This extremely unsatisfactory situation of the stores societies continued upto 1957 when the Minister in charge of Cooperatives issued a directive to the Cooperative Department to organize 17,000 Multi-purpose cooperative societies within three years. As a result, the 87 multi-purpose cooperative societies in 1957 rose to 5,084 societies in 1970. Likewise, the number of multi-purpose cooperative unions rose to 125 in 1970.

The Royal Commission which was appointed in 1968 to look into the state of cooperative societies recommended the re-organization of cooperative societies in order to create more viable societies through a process of amalgamation. The result was the elimination of the cooperative unions and the amalgamation of the consumer cooperative societies to form 372 large multi-purpose cooperative

societies which through further amalgamation was brought down to 289. Upto 1977, the cooperative societies enjoyed monopoly sales. With the liberalized economic policy of the Government in 1977, the consumer cooperatives gradually lost control of monopoly sales and had to compete with the private sector for their survival.

03. STRUCTURE OF CONSUMER COOPERATIVES

The branch of the multi-purpose cooperative society is the consumer retail outlet and the member of the society is a member of the branch in his town or village. The primary society consists of branches and the number of branches to a society is roughly between 20-70. There are seven secondary unions and they are:

- Cooperative Marketing Federation
- Cooperative Textile Union
- Cooperative Rubber Union
- Cooperative Coconut Producers' Union
- Cooperative Fisheries Federation
- Cooperative Industries Union
- Thrift and Credit Cooperative Federation.

The primary societies are members of the Marketing federation and they do not have a consumer union of their own at the secondary level. There are 26 district committees, the general body of which are comprised of elected representatives of the primary societies who elect the District Committee. Four representatives from the consumer societies are elected to the district committee. The district committee representatives and three elected representatives from the seven Secondary Unions form the general body of the National Cooperative Council of Sri Lanka (NCC), the national Apex. (Ref. Annexure 04).

Each primary society has roughly 1 to 3 wholesale points with 20-70 retail branches. Thus there are about 600-650 wholesale points and about 9,000 retail points attached to the 263 consumer societies.

The Sri Lanka Institute of Cooperative Management (SLICM) introduced the concept of self service shops to the cooperative sector in 1985 and upto now there are 16 self service shops opened in the primary societies in principal towns. A few societies have also commenced mobile units in their areas of operation but the exact number is not known.

04. FUNCTIONS OF CONSUMER COOPERATIVES

4.01 Consumer Functions

The consumer cooperative societies in Sri Lanka are primarily engaged in the distribution of consumer goods to both the members and non-members.

They do not engage in the import or export trade.

4.02 Warehousing and Wholesaling

The societies engage in warehousing on a limited scale but wholesaling to the private sector is done on a high scale through the 600-650 wholesale depots.

4.03 Credit

The credit function of the primary society is performed by the Rural bank. It also promotes savings and engages in pawn brokering. There are 929 rural banks attached to the primary consumer societies. The growth of the rural banks with its functional activities are shown in the Annexure 05.

4.04 Consumer Education

Consumers of primary societies are both members and non-members. The primary function of the National Cooperative Council of Sri Lanka (NCC) is member education. In addition to the member education programmes, the NCC also conducts publicity programmes, exhibitions, etc. to educate the non-members too. The 184 Public Relations and Education Officers attached to the MPCs also conduct programme for both members and non-members.

4.05 Consumer Protection

The Government of Sri Lanka has passed legislation to protect the consumers through the Consumer Protection Act, the provisions of which are applicable to cooperatives as well.

5.06 Sale of Produce

Consumer societies help the producer members to sell their produce through the societies. The produce sold are vegetables, paddy, fruits, etc.

05. BUSINESS SITUATION AND PROBLEMS

5.01 Turnover

The total turnover in 1986 was Rs.10,953.8 million and it was an increase of 26% from 1985. It was in 1986 that the Rehabilitation scheme of MPCs was launched and in the 28 societies thus rehabilitated in this year showed a remarkable increase in sales.

5.02 Market share and Status among other Sectors

The market share of the cooperatives is in the region of 15-20%. The priority is given to the state sector followed by the private sector. The Cooperatives take the third place in status and employment preference.

5.03 Profitability

More than 60% of the Consumer societies were running at a loss in 1986. The Government generated funds to about 100 sick societies in the period 1986-88 on the basis of interest and repayment free for one year on a rehabilitation scheme launched this year. Well over 70% of the societies have recovered and shown profits whereas the rest have reduced their losses considerably. During the year 1986, the consumer cooperatives have earned a profit of Rs.214.5 million.

5.04 Sales Policy and Pricing Policy

It is obligatory that the consumer cooperative societies should provide the basic essential commodities to the people. The price of these essential items are basically determined by the state whereas the determination of price of other commodities are dependant on market forces or the manufacturer. There is a Pricing Committee in the societies which determines the prices of certain items based on cost so as to supply them to the consumers at a price below the market price.

5.05 Transport

The consumer societies are well equipped with a fleet of lorries at an average of 3-4 per society. There were 1,123 drivers in 1986.

06. DEMOCRATIC CONTROL AND MANAGEMENT

6.01 Nature of Legislation

The cooperative societies are governed by the Cooperative Societies Act, rules, by-laws and circulars issued by the Commissioner of Cooperative Development.

6.02 Boards of Management

The societies are empowered to elect 7 members to the Board. The Commissioner has the power to appoint directors and even the President.

6.03 Member Participation

Member participation in the societies have declined during the last few years as most societies sustained losses and are unable to pay any rebates and dividends.

6.04 Management by Executives

The top management body is the Board of Directors. The Chief Executive of the society is the General Manager. Under him, there are several sectional managers. They are the Finance Manager or the Accountant, Commercial Manager, Bank Services Manager and the Purchasing Manager.

07. INVOLVEMENT OF GOVERNMENT

7.01 Financing

The People's Bank is the source of financing to the cooperative sector. It is a Bank controlled by the State. In 1986, the Government also selected a few sick societies, as mentioned earlier and channelled Government funds to rehabilitate them. As mentioned earlier, there were successful results in this attempt.

7.02 Supervision and Audit

The supervision and audit is under the charge of the Commissioner of Cooperative Development. This function is carried out by a team of 06 Deputy Commissioners, 07 Senior Assistant Commissioners, 77 Assistant Commissioners and 1962 Cooperative Development Officers.

7.03 Management

The Department plays an important role in the improvement of Management of Societies. An Officer of the Department is attached to each society as Liaison Officer who reports the progress of the society. The employees are constantly exposed to management training in order to improve the management efficiency.

7.04 Tax Concessions

The cooperative societies are exposed to taxation. However, the Turn-over Tax on basic essentials like Rice, Flour and Sugar is paid by the Government. An income tax of 20% as profits has to be paid and a 5% turnover tax on the sale of other commodities.

08. CURRENT SITUATION AND REMEDIAL ACTION

Today there are 283 multi-purpose cooperative societies with about 9,000 branches distributed throughout the country.

During this period of liberalized economic policy, the cooperatives have not made much headway due to the remarkable increase of private sector business organizations with streamlined shops and advanced salesmanship. The cooperatives were not ready to meet the challenge and the attitudes of the staff did not change to meet the challenge. Although the cooperatives are allowed to elect 7 members to the Board, the Commissioner still has the power to appoint directors and even the President of the Society thus limiting the democratic rights of the members. As a result, the membership is gradually losing the interest thus moving away from the societies.

The Consumer cooperatives as mentioned earlier are deprived of monopoly sales today. This has led to low sales and low profits. The high costs both fixed and

The Consumer cooperatives as mentioned earlier are deprived of monopoly sales today. This has led to low sales and low profits. The high costs both fixed and variable with no corresponding income to meet have also led to losses in cooperatives. In addition to these high costs the cooperatives also had to pay higher salaries on the recent recommendation of a salary review committee. This further increased the costs with no corresponding increase in income.

The ethnic conflicts in the North and East of Sri Lanka and the terrorist activities in the South have led to instability thus furthering the problem of cooperatives. The consumers cooperatives in Sri Lanka are most treated as service organizations than commercial. The value and importance of these cooperatives are felt both by the Government and the general public especially in times of crisis. It is at this time that the cooperatives are made use of to distribute and ensure supply of consumer commodities in the country.

Realizing the present situation of the consumer cooperatives, the Government of Sri Lanka stepped in, in 1986 to rehabilitate them with the assistance of the Department of Cooperative Development and the Sri Lanka Institute of Cooperative Management, the government implemented a scheme of channelling funds to the sick cooperatives. It was found that of the 283 societies more than 60% of them were running at a loss. Some of them were on the verge of liquidation. Therefore the SLICM was requested to find out the real causes for the losses in these societies resulting in an attempt made to reduce the costs and increase sales. About 100 societies were funded on this scheme and well over 70% of them have recovered and were on the profitability so on thus repaying the money with interest after a period of 1-2 years. The other societies have either reached the break even position or have reduced their losses considerably. Tying up of large sums of money in unsaleable stocks, accumulations of irrecoverable debts, drain of capital through losses and leakages and high expenses on salaries with practically all societies were over staffed and high cost of capital with poor return on investment were noticeable features in the societies that resulted in heavy losses.

Through a training programme conducted by SLICM with the assistance of the Department of Cooperative Development, the General Managers and the Cooperative Development Officers attached to the society were exposed to a training on "Sales Promotion Programme" for cooperatives. This was an action oriented programme where the trainees had to take immediate steps to improve and modernize the cooperatives and their sales outlets with sales promotion techniques of improving the physical layout, display, packing, improving the assortment, etc. The employees too were exposed to in-house training programme in order to improve the salesmanship abilities. Further the SLICM introduced the self service shops in certain urban societies in order to meet the open economic competition and boost up sales. Due to this ad hoc programme there was a visible impact on the societies which resulted in increased sales.

The current situation of the consumer cooperatives in Sri Lanka is not so rosy. In spite of the attempts made to revive and rehabilitate these societies the overall impact is not satisfactory. To aggravate the situation, the societies suddenly decided to pay higher salaries to the staff. Costs cannot be reduced by retrenching the staff which is against the Government policy. The only solution lies in the promotion of sales but as it is, there is hardly any opportunity to achieve targets to meet the present costs. In considering the cooperatives more as a service organization and a convenient distribution network for the government, there is a need to revive the lost privileges of monopoly sales in a few essential consumer commodities to ensure a steady income. What is further required is a management revolution by which the management of these societies is taken over by skilled managers while maintaining the cooperative ideology and the democratic character.

MEMBERSHIP OF PRIMARY COOPERATIVE SOCIETIES

Type of Societies	1982	1983	1984	1985	1986
01 Multi-purpose	290	290	289	286	283
02 Credit	1570	1685	1758	2216	4406
03 Tea,Rubber,Coconut	76	68	70	64	73
04 Dairy	89	101	100	113	154
05 Young Farmers	30	20	22	23	19
06 Livestock	-	-	-	-	17
07 Other Agriculture	77	49	48	43	50
08 Textiles	35	33	32	31	31
09 Fisheries	90	72	74	72	68
10 Small Industries	272	252	193	185	190
11 School	1156	994	878	868	775
12 Hospital	08	09	09	07	07
13 Electoral District	69	51	48	48	38
14 Labour	66	67	62	64	57
15 Others	163	129	140	173	162
Total	3991	3820	3723	4193	6330

Source: Administrative Report of the Department of Coop Development
1986- (P.43)

--Annexurfe 02

MEMBERSHIP OF PRIMARY COOPERATIVE SOCIETIES

Type of Society	1982	1983	1984	1985	1986
-01 Multi-purpose	2348394	2372922	2279063	2221816	2084798
02 Credit	169201	220655	241615	265826	483345
03 Tea,Rubber,Coconut	9683	10514	10249	10447	11327
04 Dairy	17215	19882	23130	24963	29758
05 Young Farmers	5097	2752	5052	4746	2503
06 Livestock	-	-	-	-	2610
07 Other Agriculture	17997	4948	5384	5578	9551
08 Textiles	62429	60564	62294	62095	61075
09 Fisheries	25586	27017	18340	19291	21464
10 Small Industries	14836	16421	13536	23071	24576
11 School	238631	258370	266751	276474	263195
12 Hospital	14663	16649	14697	13710	11486
13 Electoral Distt.	8772	6952	5238	4782	4379
14 Labour	5100	5069	3845	4184	3353
15 Others	95383	153726	86151	99541	122743
Total	3032987	3174441	3035345	3036524	3141163

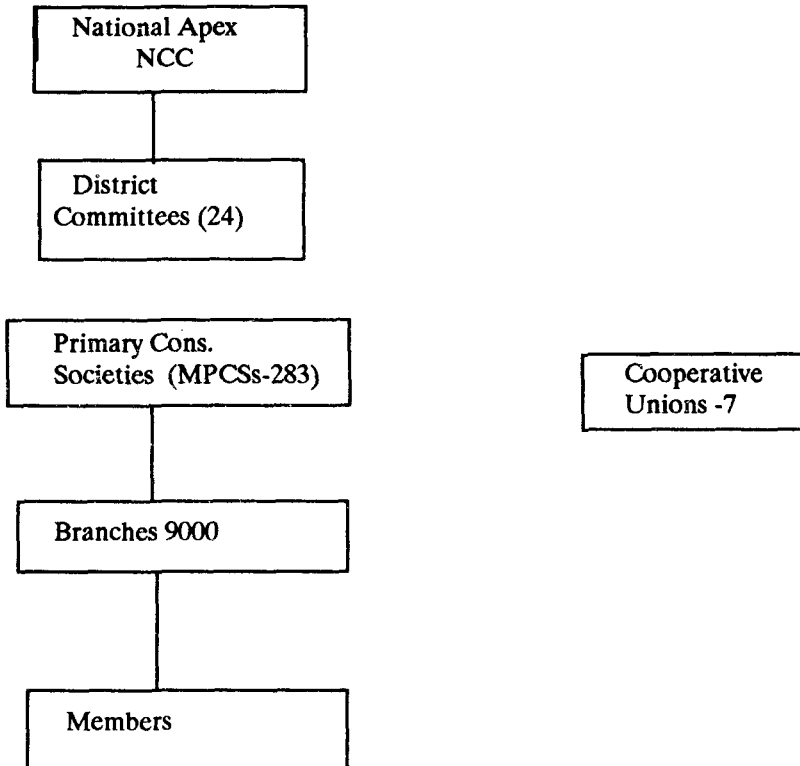
Source: Administrative Report of the Department of Cooperative Development
(986- P.44)

Total Number of Employees of Multi-purpose Coop Societies in 1986

	Post	Number
01	General Manager	263
02	Financial Manager	08
03	Accountant	273
04	Commercial Manager	140
05	Bank Service Manager	218
06	Internal Auditor	198
07	Administrative Manager	08
08	Personnel Manager	49
09	Secretary	103
10	Branch Manager	8199
11	Member Relations & Training Officer	184
12	Storekeeper	541
13	Transport Manager	108
14	Rural Bank Manager	870
15	Office Assistant	26
16	Branch Supervisor	342
17	Watcher	1856
18	Cashier	459
19	Purchasing/Field Officer	267
20	Clerk/Typist	5849
21	Salesman/Asstt.Salesman	6151
22	Peon	359
23	Driver	1123
24	Cleaner	951
25	Petrol Shed Worker	628
26	Labourer	1389
27	Others	1283
Total		31851

Source: Administrative Report of Deptt.of Coop Dev. (1986-P.46)

STRUCTURE OF CONSUMER COOP SOCIETIES



RURAL BANKS

	Particulars	1982	1983	1984	1985	1986
01	No. of MPCSSs	290	290	289	286	283
02	No. of Rural Banks	804	843	883	914	929
03	No. of Savings Deposit Accounts	1464206	1612485	1773722	1939077	2031415
04	Amount of Savings (in Rs. millions)	442.0	589.8	752.1	927.1	1080.5
05	No. of Fixed Deposit Accounts	23572	24765	28314	24702	24948
06	Amount of Fixed Deposits (Rs.-millions)	99.5	128.2	153.4	160.5	178.6
07	No. of Short Term Loans	64176	67364	72637	85926	91116
08	Amount of Short Term Loans (Rs.-millions)	122.5	147.7	185.2	234.1	272.5
09	No. of Account on Pawn Broking	301859	339818	390933	397851	418648
10	Amount given on Pawn Broking (Rs.-millions)	206.8	243.9	323.1	340.7	366.7

Rupees (Rs) - Currency in Sri Lanka

Source: Administrative Report of the Deptt of Coop Dev.(1986P.45)

08 THAILAND

(Presented by Mrs. Ampawan Vadanathorn, Committee Member,
Pranakorn Consumer Coop Store)

1. GENERAL INFORMATION

All the 73 provinces in Thailand stand covered by consumer cooperative societies. Each of the provincial headquarters and nearly one third of district headquarter towns have cooperative shops. As on 30 September 1987, there were 359 consumer cooperatives stores (membership: 655,366) headed by the Consumer Cooperative Federation of Thailand (CCFT), which is the union and wholesale of consumer cooperatives at the national level.

According to cooperative statistics of Thailand issued at January 1988, there are 6 types of cooperative organizations:

No.	Types	No. of Societies	No. of members
1	Agricultural Coops	1,157	883,694
2	Land Settlement Coops	93	87,257
3	Fishery Cooperatives	22	4,322
4	Thrift & Credit Coops	732	1,104,614
5	Consumer Cooperatives	363	679,324
6	Services Cooperatives	267	88,743

National Cooperative Federations 10,986 societies

Provincial Cooperative Federations 73,965 member societies.

2. BRIEF HISTORY OF CONSUMER COOPERATIVES

In 1937, the first Consumer Cooperative Limited was established at Sena District, Ayudhya Province, to help the rural consumers in their daily purchase of commodities at fair and reasonable prices. More cooperative stores have been established since then. After the World War II, many consumer goods were in short supply. The private traders indulged in profiteering. The middle and low income families were the worst sufferers. The government decided to encourage the formation of cooperative stores both in rural and urban areas. Cooperative stores had been recognized as one of the means in the supply of necessary consumer goods to the people. Cooperative stores were organized among the public with the objective to help their members to purchase the consumer goods and necessary commodities of reliable quality and quantity at reasonable prices. Moreover, it was felt that the existence of cooperative stores has kept the prices

of consumer goods at the appropriate level.

At present, the cooperative stores has gained more popularity from people of various occupations. Most of the cooperative stores in Thailand are small to medium size retail shops. Except some few cooperative stores in Bangkok and in some big provinces are operating supermarkets and department stores. According to the classification of the size of cooperative stores by using the number of members in 1986, 50% of the total cooperative stores were small size with less than 500 members. Only 2.95% are large scale cooperative stores.

The Cooperative League of Thailand was founded in 1968, as a non-governmental organization. It is a nation-wide confederation of cooperative organizations of all types. It now has affiliated in it 2432 cooperative societies serving over 2.6 million members at the primary level. It is the only national organization entirely and exclusively dedicated to the promotion of cooperatives through out the country.

3. STRUCTURE OF CONSUMER COOPERATIVES

The Cooperative Promotion Department has divided the country into 9 administrative regions, for administrative purposes. The names of the provinces grouped into different regions are shown below:

Region 1	BANGKOK, Nonthaburi, Pathumtani, Pranakornsri-Ayuthaya, Saraburi, Lopburi.
Region 2	CHA-CHERNGSAO, Samut-Prakarn, Nakorn-Nayok, Prachinburi, Choburi, Rayong, Chantaburi, Trad
Region 3	NAKORN-RAJSIMA, Chalyapoom, Surin, Srisakes, Burirum, Roi-Et, Ubol-Rajthani, Yasothorn.
Region 4	KHON-KAEN, Udonthani, Mahasarakham, Kaiasin, Sakoi-Nakorn, Nongkal, Leoi, Nakorn-Panom
Region 5	LAMPANG, Lampon, Chiangmai, Chiengrai, Payao, Mae-Hongsorn
Region 6	PITSANULOK, Sukhothai, Utradit, Petchaboon, Pichit, Phrae, Nan
Region 7	NAKORNSAWAN, Ang-Thong, Chainat, Singburi, Uthaltani, Kampangetch, Tak
Region 8	NAKORN-PATHOM, Samut-Sakorn, Samut-Songkhram, Kanchanaburi, Rachaburi, Supanburi, Petchaburi, Prachuab-Krikhan
Region 9	SONGKHLA, Chumporn, Nakorn-Sithamaraj, Surat-Thani, Krabi, Ranong, Pattiang, Pangnga, Trang, Pukhet, Satool, Patani, Yala, Narathivas

3.1 Number of Consumer Cooperatives

As on 30th June, 1986 there were 271 consumer cooperative societies in Thailand, with a membership of 507,525. Of them 7 societies were defunct and did

not conduct any business during the year, another 4 were about to be closed. In other words, there were only 260 active consumer cooperatives in the country. It is learnt that nearly 112 consumer cooperatives exist in universities, colleges, technical and vocation institutions.

3.2 Membership

The number of consumer cooperative societies in each region and their membership was follows:

Region	No. of Cons.Coops	Membership	% of Total
1	68	324,414	51.66
2	21	20,944	7.93
3	24	19,955	2.85
4	22	23,775	3.74
5	19	24,334	6.16
6	27	16,049	3.01
7	16	17,886	1.81
8	24	20,082	5.29
9	46	40,086	7.53
Total	264	507,525	100.00

It is observed that nearly 60% of the total membership of consumer cooperatives in the country come from 89 cooperative stores located in Region 1 and 2 Bangkok Metropolis and around. The average membership per cooperative came to 1872. But in 50% of consumer cooperatives, the number of members is less than 500. A large portion of membership comes from big societies in Bangkok City. Nearly 80% members of consumer cooperatives excepting the 2 big societies in Bangkok are persons working in government offices, public corporations or private establishments. It is further learnt that more than 60% of members are women.

Region	No. of Cons.Coops	Membership	% of Total
5	18 + 1 = 19	139.50	4.80
6	23 + 4 = 27	68.22	3.16
7	13 + 3 = 16	41.04	3.52
8	17 + 4 = 21	119.80	3.96
9	28 + 18 = 46	397.27	7.90
Total	213 + 51 = 264	2266.01	100.00

It should be noted that nearly 64% of the sales turnover has been contributed by cooperative stores in Region 1 which is followed by Region 9

whose share amounted to 7.9% only.

According to the Auditing report of cooperative stores in 1986. Out of the total 312 cooperative stores, there were 264 stores engaged in business operations, 213 stores were run in profit to the total amount of 79,069,688 baht. Average profit was 371,219 baht store, 51 stores suffered the loss the total amount of 9,105,728 baht. Average loss was 178,543 baht store. Compared to the previous year (1985) the net profit of cooperative stores decreased by 8.27%.

As at the end of fiscal year 1982, the financial status of cooperative stores in Thailand can be summarized as follows:

1. The total asset has increased from 688.3 millions baht in 1985 to 699 million baht or 1.571 increase,
 - 1.1 The current asset has been increased from 510.0 million baht in 1985 to 510.3 million baht or 0.06% increase,
 - 1.2 The fixed asset has been increased from 166.4 million baht in 1985 to 179.9 million baht or 8.05% increase,
 - 1.3 The other asset has been decreased from 11.7 million baht in 1985 to 8.9 million baht or 24.43% decrease,
2. The total liabilities has been increased from 310 million baht in 1985 to 314 million baht or 1.29% increase,
 - 2.1 The current liabilities has decreased from 264.4 million baht in 1985 to 258.6 or 2.20% decrease,
 - 2.2 The fixed liabilities has increased from 31 million baht to 39 million baht or 25.8% increase,
 - 2.3 The other liabilities has increased from 14.5 million baht to 16.3 million baht or 12.25% increase.

4. FUNCTIONS OF CONSUMER COOPERATIVES

A. Consumer Cooperative movement in Thailand does not deal with imports.

B. Wholesale Cooperative Society.

The open organization of the consumer cooperatives in Thailand is the Consumer Cooperative Federation of Thailand Ltd. (CCFT), which was organized on August 14, 1975 to serve as a centre of supplying goods to the member cooperatives export, import, education and promoting member relationship among member societies, international cooperative institution and all organizations which have similar objectives, at present, the CCFT has 120 members societies.

The CCFT has carried out the activities of procurement and supply of

some necessary goods to its member cooperatives by negotiating with the manufacturers for quantity discount and deliver the goods directly to the cooperative. Though the CCFT has a very limited budget and resources, the CCFT has tried its best to serve the member societies.

It is expected that the CCFT would develop its activities and will be able to have its own warehouse and distribution system in the near future.

C. Retailing

Most of the stores in Thailand are selling groceries, foods, toiletries, cosmetics, clothing, ready-made, stationary and school supplies, drugs, toys, liquor, electrical appliances, household goods, hardware, plastic ware, kitchen utensils, glassware, etc. Their assortment consist of 800 to 200 items. The merchandise is divided into various commodity groups, according to their use or the range of margins available. So far no guidelines or instructions have been issued to management of retail societies in Thailand to reclassify their sales into different merchandise groups.

D. Consumer Credit

Nearly 80% of sales of cooperative stores in the country, barring a few supermarkets and big societies, are sold on credit to their members. As such bulk of these sales do not pass through cash registers. The classification of sales into nine commodity groups through manual labour certainly presents some difficulty to management of cooperative societies. But at the same time, the classification of sales into major merchandise groups is also very important in order to improve the inventory management and profitability in retail societies.

E. Consumer Education and Consumer Protection

In thailand the responsibility in education and protecting consumers is in the hands of the Committee of Consumer Protection under the Prime Minister's office.

5. BUSINESS SITUATION AND PROBLEMS OF CONSUMER COOPERATIVES

A. Turnover-wholesale and retail business

During the year ended 30 June 1986, the 264 consumer cooperative societies sold goods worth baht 2266 million (US\$1=25 baht), 213 cooperative stores operated at a profit, Baht 77,069,688 and 51 stores suffered losses worth baht 9,105,729 out of 264 consumer cooperatives. Four cooperatives were about to be closed.

The Region-wise sales turnover is as below:

Region	No.of Coops P L T	Turnover (Million baht)	Percentage
1	60 + 8 = 68	1170.60	63.92
2	18 + 3 = 21	179.70	4.13
3	21 + 3 = 24	64.68	3.93
4	15 + 7 = 22	84.80	4.68

B. Market Share and status among other sectors private & state

During 1983, 33 consumer cooperatives were organized to serve 7,855 members with 2.6 million baht of share capital. In 1987 the total number is upto 377. The last 10 years have proved the development of the consumer cooperatives. Consumer cooperatives in Thailand are still running effectively though the repercussion from 22 newly opened retail stores, department stores, supermarkets and shopping centres created by private sector at present has resulted in lowered benefit to the consumer cooperatives.

B. Profitability of the Consumer Cooperatives

The table below shows net profit of the 264 consumer cooperatives within 7 years:

Table 1 STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,

Year	Revenues	Cost of Sales	Gross Profi	Selling & Admn. Exp.	Net Profit(Loss)
1972	345,305,733.23	319,274,405.62	26,031,327.61	14,949,848.36	14,716,183.36 (665,681.95)
1977	1,220,118,656.76	1,115,993,433.97	114,125,222.79	57,115,888.66	52,890,482.50 (1,225,977.97)
1982	2,406,009,471.41	2,195,914,326.31	210,095,145.10	140,043,608.33	94,756,746.23 (9,999,651.23)
1983	2,347,136,948.81	2,143,525,808.08	203,611,140.73	135,967,862.94	91,189,726.84 (4,643,897.71)
1984	2,334,517,844.08	2,134,567,691.09	199,950,152.99	136,108,529.42	91,403,997.38 (7,970,297.74)
1985	2,437,362,009.59	2,233,790,078.07	203,571,931.52	144,637,166.84	86,652,887.02 (10,378,739.54)
1986	2,266,013,80	2,079,730,749.28	186,283,053.39	142,408,984.07	79,069,688.32 (9,105,728.68)

Table 2

BALANCE SHEET AS AT DECEMBER 31

Year	Total Assets	Total Liabilities	Shareholders' Equity
1972	78,456,814.07	30,664,135.93	47,792,678.14
1977	319,883,622.68	157,383,623.68	162,494,345.95
1982	614,894,296.85	293,782,789.32	321,111,507.53
1983	632,082,180.58	288,620,306.81	343,461,873.77
1984	645,928,492.27	291,032,013.70	354,896,478.57
1985	688,323,904.49	310,023,013.06	378,300,891.13
1986	699,143,331.27	314,019,614.33	385,123,716.94

D. Sales Policy / Pricing Policy

The consumer cooperative societies in Thailand keeps in mind that the public needs are the main interest. The prime objectives of the government in establishing consumer cooperatives were to help people in buying the necessities at reasonable prices. The quality of goods sold to customers should be trustworthy.

The aim of the managements of most of the consumer cooperative stores in Thailand is to earn a net surplus of about 3-4% of their sales turnover so that they can declare a dividend of 8 to 10% and patronage rebate of 2 to 3% on purchase.

In 1986 the following contemporary problems were confronted by most of the consumer cooperative societies (also 1987).

1. Members themselves not realizing their own duties and rights as owners of the cooperatives,
2. High retail competitions in community,
3. Less educating for members,
4. Weak Board of Directors,
5. Store controlling and protection,
6. Public relations by using hi-tech,
7. Goods supply,
8. Finance and capital,
9. Stock management,
10. Lack of using modern technology in sales promotion, and
11. Accounting and internal supervision.

These problems are discussed at yearly seminars by the consumer cooperative representatives organized by the Cooperative League of Thailand.

6. DEMOCRATIC CONTROL AND MANAGEMENT

A. Nature of Legislation

After the World War II, the consumer cooperatives were promoted to be organized both in rural and urban areas to solve the problems of shortage of

consumer goods. The government assigned more officials to assist them in handling a variety of monopolized goods.

In 1952, the Cooperative Wholesale Society of Thailand was organized for succeeding in direct purchase with producing sources, the affiliated retail societies could obtain help in the supply of commodities. Later on its name was changed to Cooperative Marketing and Purchasing Federation of Thailand (CMPF) on August 22, 1969. All governors were also notified of the improvement and the correct way of organizing the consumer cooperatives.

Then came the revised act, enacted later in 1968, emphasizing on the amalgamation of the small societies also limited the dividend on share capital to 8%; setting up the Cooperative League of Thailand as the cooperative centre, promoting cooperative education. The revision ever since widely facilitated the operations of the cooperatives.

The registrar was appointed from outside personnel who is not the director of the development of the cooperative development, along with special committee to programme the 5 years development plan.

7. Involvement of Government

The consumer cooperative societies in Thailand are assisted by the government in the following ways:

1. Internal audit of each society,
2. Exemption from Income-tax,
3. Soft loan for expansion of business.

The present government has paid more attention to develop the cooperatives and the consumer cooperatives in viewing the advantages to establish more cooperative stores in the metropolis and in the rural areas. The Prime Minister has so decided to impose the regulations and procedures for the development of the cooperatives in 1980, also has set up a special committee composed of 15 fellow members with Deputy Prime Minister as the President. Besides, there is another sub-committee which is composed of cooperative representatives and the concerned institution put together their efforts to develop the operation.

In the Credit and Trade Division of the Cooperative Promotion Department, there are officers exclusively for consumer cooperative societies to advise and guide them regarding their business activities. Some times, these officers also arrange short training programmes for employees of consumer cooperatives. The provincial officers of the Cooperative Promotion Department, who are posted at each provincial headquarters are generally expected to attend monthly board meeting of all cooperative societies in their respective areas.

The officers of the Cooperative Auditing Department prescribe methods of book-keeping and accountancy and also assist societies in financial management. The auditors carry out annual audit of each society and expected to guide their management in improving the economy of their operations.

Societies can get soft loans upto 3 million baht each for expansion of business or for the construction of shop premises. The loans earn interest at the rate of 2% per annum and is repayable in 5 years with a grace period of one year.

8. Remedial Actions Proposed

The working group of the sub-committee for planning the management of consumer cooperative stores has recently worked out the following report:

i. The objectives in developing consumer cooperative stores

a. 1-2 local consumer cooperative stores should be set up in each province. They should be organized as a medium standardized store on the area of 350 square metres, on the basis of a 40 million baht per year enterprise.

b. All existing local consumer cooperative stores organized in the country should be improved and modified to meet the standard of the enterprise mentioned above.

c. Cooperative League of Thailand should develop effective administration and strong management in order to become the centre in both business administration and education to all consumer cooperative stores, as well as to all members. CLT shall encourage wholesale to the primary consumer cooperative stores within 5 years not less than 30% of their business. Also CLT launches a campaign so that all consumer cooperative stores become members of the League.

ii. Policies in developing the consumer cooperative stores:

a. Three types of consumer cooperative stores are encouraged to set up: a cooperative in large community or provincial level, a cooperative in universities or colleges, and a cooperative in government departments or in a big private sector enterprise.

b. There should be 1-2 cooperative stores in a province. A large community or a needed area of cooperative stores should be supported and district cooperative stores are chained with provincial cooperative stores.

c. The registered cooperative stores should be encouraged to develop their management effectively to meet the same standard all over the country.

d. Great support should be given to Cooperative League of Thailand to be

the centre of wholesaling and also to function as advisor to primary cooperative stores in the country.

iii. Measures in developing consumer cooperative stores:

a. Organizing consumer cooperative stores, the leaders or the Cooperative Promotion Department and the authorities concerned should study the appropriate ways to the successful goals, the genuine needs of the public and finally to cooperate in planning and setting objectives to the extent of effective practice.

b. Encouraging the autonomy of the consumer cooperative stores management, away from political influences or from the influenced group seeking their own advantages.

c. Educating the registrar on the size of any consumer cooperative store to meet the average standards of area investment and number of membership:

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APPENDIX II

ICA REGIONAL OFFICE FOR ASIA

FOUR-YEAR DEVELOPMENT PROGRAMME (1988-89 : 1991-92)

III.1 SUMMARY

The ICA Regional Office for Asia established in 1960 in New Delhi covers 44 member national cooperative organizations from 14 countries in the region. The region covers industrialized countries like Japan and Australia, fast growing countries like South Korea and Singapore, and LDCs like Bangladesh. The responsibilities and functions of the ROA under the authority of the Director of the ICA include coordination of cooperative development efforts, promotion of exchanges and experiences; project identification, formulation, monitoring and evaluation; promotion of the establishment and development of national cooperative apex organizations; and organization of seminars, conferences, meetings etc. on specific subjects. There is a Regional Council to assist and advise the Regional Director and various Regional Specialized Sub-Committees consisting of professionals from member organizations to guide and support the ROA and its development activities. The ROA plays a catalyst and coordinating role and also operates with the assistance of donor agencies through specific projects for contributing to cooperative development. The donor agencies support is supplemented by the contributions from member organizations. Since the restructuring of the Development Programme of the ICA in 1985, the ROA has also been restructured by reducing its strength and having committed a high level professional staff in the ROA.

III.2 PROGRAMME OUTLINE

III.2.1 Overall Strategy

Keeping in view the ICA Policy for Cooperative Development, the strategy of the ROA for development is as under:

- i. the building of democratic and economically viable cooperative organizations which are capable of serving their members efficiently;
- ii. influencing cooperative laws and government cooperative policies to promote genuine cooperative development based on Cooperative Principles;
- iii. developing well coordinated and integrated cooperative structures in order to enhance economic capacity of the cooperative movements; and

iv. promoting regional collaboration for the exchange of technical information know-how and innovations and for increased international cooperative trade.

III.2.2 Assumptions

The implementation of project activities is carried out with the cooperation and support of the concerned national level cooperative organizations. It is presumed that the concerned national organizations would respond, associate and contribute their share in carrying out the activities. Also, a positive attitude of concerned governments would be available in carrying these activities.

III.2.3 Objectives

The overall objective of the development programmes during the next four years is to enhance the democratic bases of the cooperative movement through increased member participation, healthy and constructive government-movement relations and to enhance the economic performance of cooperative organizations especially in agriculture and consumer sectors.

III.2.4 Target Groups

The direct target groups for the projects would be national level business and promotional cooperative institutions and cooperative training institutions responsible for carrying out the development programmes. The second target group will include cooperative leaders and management personnel who are responsible for carrying out the cooperative activities. The third target group will include ministries and departments responsible for cooperative development so as to ensure that cooperative policies are conducive to the cooperative development.

III.2.5 Organization

The ROA will carry out its development objectives through its Development Coordination Unit (DCU) and six planned projects. The DCU will coordinate the activities of various projects and will also carry out activities with overall development focus such as creating a favourable atmosphere for the growth of authentic cooperative movements. The various established projects will promote development in their specific areas as per carefully defined objectives.

Each project will be placed under the direction of a Project Officer who will be responsible for carrying out the programme of activities as per well defined objectives. The DCU would coordinate activities of the various projects under the overall direction of the Regional Director.

The various projects will also receive the needed organizational and technical support from the Specialized Committees established by the ROA. The

Regional Council will provide the necessary overall support and guidance.

III.2.6 Projects

The following projects are proposed to be undertaken by the ROA during the next four years :

1. Development Coordination Unit.
2. Agricultural Cooperative Development Project.
3. Consumer Cooperative Development Project.
4. Human Resources Development Project.
 - a) Member Education, Management Development & Training,
 - b) Development of Women through Cooperatives.
5. Cooptrade Project.
6. Project for Strengthening Management of Agricultural Cooperatives in Asia.

III.2.7 Budget and Sources of Funds

The total budget for the development programme during the next four years will be as follows (See Annex III.2.7 : Page).

(in Million Swiss Francs)

Year	Total	MO	SCC	Govt.of Japan	Other Donors
1988-89	2.707	0.612	0.794	0.714	0.587
1989-90	3.178	0.868	0.861	0.714	0.735
1990-91	3.500	1.148	0.946	0.714	0.692
1991-92	4.609	1.586	1.105	0.714	1.204

III.3.1 DEVELOPMENT COORDINATION UNIT

Following the adoption of a new Cooperative Development policy by the ICA Central Committee in 1982, the RO for Asia was restructured in November 1985. Under the new structure, the Development Coordination Unit (DCU) was established in the Regional Office for Asia (ROA) to be an instrument for implementing the ICA Policy on Cooperative Development by (a) backstopping and coordination between ROA and cooperative, (b) establishing coordination between ROA and cooperative development support agencies working for the Region, and (c) assisting member organizations and ROA in formulation of projects and promotion of regional cooperation.

III.3.1.5 Objectives

The general objectives of DCU are as follows:

to coordinate cooperative development activities of the Regional Office for bringing about coordinated planning of various projects, ensuring regular reporting on progress of projects and ensuring timely implementation, and

to assist member organizations in their development efforts to enable them to develop democratically managed and well integrated cooperative movements capable of providing efficient services to members.

Specific objectives

The specific objectives have been formulated, keeping in view the policy guidelines given by the Regional Council, the Sub-Committees and the recommendations made by the SCC/SIDA/NORAD/NRD Evaluation Mission report on the ICA Development Programme for 1985-88.

6200 to communicate development needs of member movements to cooperative development support agencies for securing their support, ensure effective flow and utilization of development resources and to avoid overlapping of activities of donor agencies, and

to ensure timely implementation of programmed activities of RO projects and to report on progress of projects on a quarterly and annual basis,

6300 to create a favourable environment for the development of genuine and democratically managed cooperatives,

6400 to enable member organizations to identify development needs and priorities and to develop competence in themselves and their affiliates in project identification and planning, and

6500 to cater to the information needs of member organizations.

III.3.1.4 Target Groups

6200 Development Coordination

Direct Target Groups

- RO Project Advisers
- Member organizations in the region
- Donor agencies.

Actual Target Groups

- Individual projects operated by RO.
- Member organizations in the region.

6300 Government-Movement Relations

Direct Target Groups

- Ministry and Government Departments responsible for cooperative development.

Actual Target Groups

- Member organizations and their affiliates.

6400 Strengthening of Cooperative Structures

Direct Target Groups

- Member organizations

Actual Target Groups

- Research and planning officers of member organizations and their affiliates.

- Member organizations and their affiliates.

6500 Research, Information, Library and ICA RO Data Bank

Direct Target Groups

- Member organizations,
- Research institutions,
- Government cooperative departments,
- University libraries,
- Cooperative Training Colleges,
- Cooperative libraries,
- Editors of Cooperative journals.

Actual Target Groups

- Research workers,
- Registrars and officers of cooperative departments,
- University teachers and students,
- Teachers and students of cooperative colleges.

III.3.1.5 Organization

Four sub-projects have been formulated in order to achieve each specific objective mentioned above. These sub-projects are :

6200 Development Coordination,

6300 Government - Movement Relations,

6400 Strengthening of Cooperative Structures,

6500 Research, Information, Library and ICA RO Data Bank.

6200 Development Coordination

-Regular contacts and coordination with the ICARO will be maintained through the instruments of quarterly and annual plans, reports, budget forecasts and expenditure statements. Necessary meetings with the Regional Director and the Project Advisers would also be arranged.

-Dialogues and conferences among donor agencies, ICA RO Project Advisers and member organizations will be established.

6300 Government - Movement Relations

-Country studies in the fields of government cooperative policies and cooperative legislation will be carried out in 12 developing countries of the Region.

-A regional paper based on country studies would be prepared which would be a discussion document for the Regional Conference of Cooperative Leaders and Ministers.

-A Regional Consultation of country consultants will be held to properly prepare for the Regional Conference of cooperative leaders and ministers.

-A Regional Conference of Cooperative Leaders and Ministers will be held with a view to discussing cooperative legislation and government policies and formulating guidelines for promoting democratically managed self-reliant coop movements.

-Based on the guidelines evolved at the Regional Conference, workshops and meetings will be held in various countries to bring about required amendments to cooperative legislation and government policies.

6400 Strengthening of Cooperative Structures

-Perspective Planning Missions will be carried out to assist member

organizations in developing long- term development plans,

-Member organizations will be assisted in further developing plans and projects on the basis of priorities established by them as per Perspective Planning Mission Reports, and

-Member organizations and their affiliates will be helped to develop capability in project identification and planning.

6500 Research, Information, Library and ICA RO Data Bank

-The ICA RO library would be computerized so as to upgrade its services for member organizations, research institutions and cooperative training colleges.

-Research and information support to member organizations would be increased.

-A Regional Cooperative Bulletin and a Cooperative News Digest would be brought out to cater to the information needs of the member movements on a regular basis.

III.3.1.6 Activities

- Holding a Programme Planning and Budgeting Meeting.
- Holding MOs conferences with donor agencies in two countries.
- Promoting visits by cooperative leaders delegations.
- To hold an Asian Conference of Ministers, Secretaries and cooperative leaders.
- Hold follow-up workshops in Sri Lanka and Thailand.
- Follow-up of PID& Training Courses.
- Perspective Planning for Coop Movement of China and Exploratory Mission to North Korea.
- RO library research, information centre and Data Bank including computerization.

Budget for the DCU during the next 4 years will be as follows

(See Annex III.3.1.7 : page).
(in Swiss Francs)

Year	Total	MO	SCC	Other Donors
1988-89	514,444	154,444	292,222	67,778
1989-90	512,889	183,333	318,445	11,111
1890-91	556,667	195,000	350,556	11,111
1991-92	933,333	313,313	431,111	188,889

III.3.2 AGRICULTURAL COOPERATIVE DEVELOPMENT PROJECT

III.3.2.1 Background

Agriculture occupies a predominant place in the national economies of the developing countries in the region. Nearly 60 to 75 per cent of the population is dependent on agriculture for their livelihood and generally 50 per cent of the GNP is contributed by agriculture in these countries.

Agricultural cooperatives constitute the most important segment of the cooperative movements in the developing countries of the Region. They were the earliest cooperatives to be started and today they provide varying types of services to the farmers. At the base are generally multipurpose cooperatives which have organized themselves into secondary and tertiary organizations. However, barring the Republic of Korea and some significant successes in selected areas and commodities, agricultural cooperatives still remain weak in terms of their capability to effectively serve the farmers. Some important problem areas are : (1) Governments still have excessive regulatory and controlling influence vis-a-vis agricultural cooperatives, (2) Membership coverage and participation is low, (3) Agricultural cooperatives are not sufficiently integrated from the primary to the apex level, and (4) Their marketing function still remain inadequately developed.

The Agricultural Sub-committee in its meeting held in Manila in March 1987 identified the following areas for regional and national action. Priorities are underlined.

- Strengthening national cooperative organizations
- Enhancing member involvement and member participation
- Participation of women and youth in cooperatives,
- Organizing effective cooperative financing system with a national cooperative bank at the top and with emphasis on internal resource mobilization,
- Developing systematic planning, monitoring and evaluation functions by agricultural movements,
- Organizing of Research and Information System and establishing Cooperative Data Banks,
- Development of Cooperative Processing and Marketing of Farm Produce (post harvest technology),
- Developing an integrated and efficient Agricultural Cooperative System on the lines of the Japanese Model),

- Enhancing cooperative role in food security,
- Improving management performance through effective personnel policies and training programmes, and
- Policy dialogues with government through Ministers Conference and other appropriate methods.

The Agricultural Cooperative Development Project (ACDP) is formulated, keeping the above priorities in above.

III.3.23 OBJECTIVES

Long Term Objectives

The ACDP of ICA RO for Asia has the following long-term objectives :

- (a) to assist member organizations in the Region in evolving suitable strategies and plans for development of self-reliant agricultural cooperatives which will operate according to democratic and cooperative principles,
- (b) the strengthening and integration of the agricultural cooperative structures through long-term perspective planning and identification of potential sub-sectors, programmes and projects and promotion of research and planning capability,
- (c) enhancing of internal resource mobilization, development of effective marketing and agro-processing systems for the agricultural cooperatives, and
- (d) the enhancement of the status of the agricultural apex cooperatives as spokesmen for the entire agricultural cooperative movement in dialogues with the governments with regard to laws, policies, and financial, marketing and pricing systems.

General Objectives for the 4 year period 1988-89 : 1991-92

The general objective is to enable agricultural cooperative movements in the region to be democratically managed and economically viable.

Specific Objectives

- (a) to enable the member organizations to share technical know-how and experience, to develop collaborative relations, and to identify developmental needs and priorities through the medium of Agricultural Sub-committee,
- (b) to enable the member organizations to prepare and implement perspective plans and projects for agricultural cooperatives in their respective countries,

(c) to bring about enhanced participation of members in the management and utilization of services of agricultural cooperatives, and

(d) to enable member organizations to develop agro- processing and marketing activities in order to increase members incomes.

III.3.2.4 Target Groups

Direct Target Groups

- National organizations of agricultural coops.
- National cooperative unions.

Actual Target Groups

- National organizations of agricultural cooperatives,
- Regional and primary agricultural cooperatives,
- Cooperative leaders and managers in the above organizations.

III.3.2.5 Organization

Keeping the specific objectives in view, four sub-projects have been formulated for action during the next three years. These are :

6200 Exchange of technical know-how and regional collaboration,

6300 Perspective and Project Planning,

6400 Enhancing members participation, and

6500 Development of agro-processing and marketing.

The objectives of the Project would be achieved through assistance to the member organizations in formulating and implementing their plans of development, through study missions and training and consultancy assistance. Greater emphasis is placed on work at national level.

Sub-projects (3) and (4) will be carried out in close collaboration and assistance of Education and Cooptrade Projects.

III.3.2.6 Activities

- Annual meeting of the ICA Sub-committee for Agriculture.
- Perspective Planning Mission to Sri Lanka.
- Follow-up of Perspective Planning Study Missions.
- Follow-up of projects through Country Missions.
- Regional Meeting on Performance and Development Indicators.
- Regional Seminar on Enhancing Member Participation.

In-depth study of Agricultural Cooperative Movement in the Republic of Korea.

III.3.2.7 Budget and Sources of Funds

The total budget for the Agricultural Cooperative Development Project during the next 4 years will be as follows (see Annex III.3.2.7 : page).

(in Swiss Francs)

Year	Total	MO	SCC	CUAC	Others
1988-89	315,556	93,333	122,222	63,334	36,667
1989-90	313,889	101,667	140,000	72,222	-
1990-91	348,889	115,556	155,555	77,778	-
1991-92	428,333	125,000	167,222	77,778	58,333

III.3.3.1 Background

The economy of most of the developing countries in the region is based on agriculture and bulk of their population lives in rural areas, hence high priority was given to such programmes that could improve rural economy and increase agricultural production. The development of consumers cooperatives remained a low priority.

The ICA Council for Asia, in their meetings held in Tokyo in October 1973, stressed upon the need for developing effective consumers cooperative movements as an integral part of the distributive systems in countries of the region and the Council advised the ICA ROA to convene an Open Asian Conference to consider this matter seriously. The Open Asian Conference on consumer Cooperation, which was held at Kuala Lumpur in October 1974, took note of the unprecedented rise in prices of consumer goods in all countries of the region and of the increasing difficulties of the consumer on account of the rising cost of living, shortage of essential commodities, prevalence of adulteration and sub-standard goods, misleading and aggressive advertising by manufacturers and many other malpractices in the distributive trade. The Conference recommended that concerned action should be taken for the promotion and development of consumers cooperative movements in all countries of the region.

In some of the developing countries, there are a few consumers cooperatives which have been rendering useful service to their members but they are now finding it difficult to hold themselves against increasing competition from the private trade. Many well equipped modern supermarkets and chain stores are springing up in most of the cities and towns in developing countries of Asia. Consumers Cooperatives are losing their share of the trade, which is already minimal. Retail societies are working in isolation without any guidance or support from apex organizations. The leadership do not seem to have clear perspective about the strategy for developing strong and sound consumers

cooperative movements which may be able to compete with private trade and also provide effective service to their members. There is serious lack of expertise in retail management. There are no satisfactory arrangements for training of managers and employees of consumer cooperatives.

III.3.3.2 Assumptions

- (a) The role of the ICA is to assist member countries in the region with appropriate guidance and support in building up effective consumer cooperative movements.
- (b) The work of ICA will be conducted in such a way that after a period of time each movement should be able to look after its own activities and provide for necessary management and business consultancy services to its retail societies.
- (c) The present situation in each country has different demands and needs different solutions. Hence ICA guidance and support for each movement has to be of a different nature and for different periods of time.
- (d) Due to different stage of development and varying situations among countries of the region, the ICA should concentrate on country based activities. The regional activities should generally be avoided and be used only in very rare cases.

III.3.3.3 Objectives

Overall Objective

The overall objective of the Consumer Cooperative Development Project is to help member movements in the region in developing sound and effective consumer cooperatives in their own countries.

Specific Objectives

- (a) To assist member movements in strengthening members organization in their cooperatives and the organizational structure of their movements.
- (b) To assist member movements in evolving an appropriate strategy for the promotion and development of an effective and sound consumers cooperative movement in their respective country.
- (c) To assist member movements in developing their human resources (employees and committee members).
- (d) To provide technical know-how and information on retail management and shop operations, etc.
- (e) To create favourable climate for the growth of self- reliant and auto-

mous consumers cooperative movements in the developing countries.

(f) To review trends of development of consumers cooperative movements in the region.

(g) To assist member movements in the region in preparing their long-term perspective plans.

III.3.3.4 Target Groups

- Apex and Regional Consumers Cooperative Federations,
- Consumers Cooperative Societies,
- Cooperative leaders, managers and employees in above organizations,
- Voluntary consumers groups,
- General consumers and the consuming public.

III.3.3.5 Organization

Keeping the specific objectives in view, the following sub- projects have been formulated for action during the next four years :

- (i) Regional and National Workshops on evolving an appropriate strategy for the promotion and development of an effective sound Consumers Cooperative Movement.
- (ii) Establishment of apex organizations of consumers cooperatives.
- (iii) Technical assistance to apex organizations in developing trading activities and building up consultancy and promotional units.
- (iv) Promotion and development of warehousing.
- (v) Technical assistance to training programmes in cooperative retail management for committee members, managers and senior employees.
- (vi) Regional and National Seminars on Member Participation and housewives involvement in consumers cooperatives.

III.3.5.6 Activities

- Regional seminar on members participation and housewives involvement.
- Regional and national workshops on evolving an appropriate strategy for promotion and development of an effective and sound consumers cooperative movements.
- Technical assistance to training programmes in cooperative retail management.
- Role of Government in building up effective and sound consumer cooperative movements.
- Research studies to ascertain trends in regard to development of consumer cooperatives in selected countries.
- Technical meetings.

III.3.3.7 Budget and Sources of Funds

The total budget for the Consumers Cooperative Development Project during the next four years will be as follows (See Annex III.3.3.7 : Page).

(in Swiss Francs)

Year	Total	MO	SCC	JCCU
1988-89	262,222	112,222	38,889	111,111
1989-90	308,889	143,889	42,778	122,222
1990-91	340,389	158,889	47,056	134,444
1991-92	359,278	177,778	47,056	134,444

III.3.4 HUMAN RESOURCES DEVELOPMENT PROJECT

III.3.4.1 Background

Any efficient planning exercise should consider the cooperative movement as a totality for planning and try to assess the actual needs arising out of gaps created in achieving the objectives and try to undertake the exercise with actual target groups. As there is a time constraint to undertake such an exercise, the other alternative would be to rely on the available documentation on the needs identified through field research.

When we consider the planning situation in cooperatives in Asian region, it appears that planning has been confined only to ad-hoc plans in many countries. According to a study conducted by FAO Regional Office Bangkok, none of the countries have identified future training requirements for the next five years. This would mean that there is hardly any perspective planning prevailing at present. ILO/NORAD Project on Training Policy and Standards has also conducted some studies and national and regional level seminars on the issue of cooperatives education and planning in the region. The findings, as explained in the report titled "Cooperative Training Policies", reveal that these problems have been related to lack of proper policies, inadequacy of infrastructure and personnel and also deficiency of technical know-how in the field. The document has also identified the role of international agencies as one which is to act as a catalyst, facilitator and promoter, to provide technical and financial support for training, identifying projects and donors for the cooperative movements and to provide necessary forum for exchange of experiences.

This programme has been prepared in the light of the above documentation and consideration of time constraint we had to face.

III.3.4.2 Assumptions

The development plan for human resource development has been prepared on the basis of following assumptions:

3.4.2.1 Ideological Assumptions:

We assume that there are two major characteristics of a cooperative organization:

- (a) Cooperative organization is a business organization working on accepted norms.
- (b) Cooperative organization is a social organization in which efficiency in achieving the objectives depends much on an enlightened membership and leadership.

The success of a cooperative organization depends on the functioning of these aspects.

3.4.3.2 Assumptions on Planning.

In the planning exercise, the cooperative organization has to be considered as a totality. It is some thing like Gestalt concept that the whole is no more than a simple summation of its constituent parts. The educational environment can be described in terms of what they do and the roles they fulfill in realizing the systems and objectives. Therefore, any programme of development should be aimed at achieving such objectives by covering various components of a development strategy. The effectiveness or efficiency of a cooperative organization should be measured in terms of results, out-puts rather than activities, processes, or means. The validity and usefulness of a process is decided by the end results and their contribution towards strengthening inputs in the form of feed back.

Further more, a cooperative organization is a sub-system of a large society. It has to be complimentary and existential to the larger system. This process is implemented through individual at the macro-level which has a general chain re-action at the micro level. It is relevant to define the organization in terms of cooperative ideology, in order to differentiate it from other forms of organizations because there had been so much distortion or bias towards certain aspects of the organization. As advocated by Robert Owen and his successors, development connotes not only the material or economic development of a person but also the development of his value system which ultimately leads to his spiritual development. Any by-laws or constitution of a cooperative organization would contain a balance of such broad objectives. Supremacy of man over capital symbolizes this phenomena. Therefore, development activities of a cooperative organization consist of such complimentary objectives. They supplement each other in order to ensure a planned growth of a human being to achieve an ultimate society of individuals cooperating with each other in cohesion and with mutual respect in sharing the resources and products equally.

Human resources development in the cooperative movement in the region should be aimed at achieving such broad objectives.

As explained in the background, we adhere to follow certain planning

premises within the time and resource limitations for proper planning. Following are the assumptions to be observed in developing plans for the Human Resource Development Project:

- (a) There had been a problem of meeting the needs of member organization in ICA ROA activities in the past which needs more close association with member organization in a formal and informal way as described in the ICA evaluation report in 1987.
- (b) There is a need to give priority to the increase of member and committee member participation in cooperative activities and management.
- (c) The ICA development policy has placed a high priority to the fields of management development to bring about professionalisation in cooperatives and involvement of women in the activities of cooperatives.
- (d) There is a growing gap between the individual membership and the cooperatives.
- (e) In spite of the attempts made by the UN and the ICA in the development of women, the issue still remain a serious concern.

3.4.2.3 Organizational and Operational Assumptions.

It is presumed that the concerned national would respond, associate and contribute their share in carrying out the activities. Also a positive attitude of concerned government would be available in carrying out their activities.

It is also assumed that the finances to carry out the activities would be available through donors and participating national movements.

III.3.4.4 Target Groups

34100 Member/Committee Member Development

Direct Target Groups

-Facilitators

Actual Target Groups

-Members, prospective members and leaders of cooperatives.

34200 Helping national training organizations to plan educational activities

Direct Target Groups

-Planners of educational programmes.

Actual Target Groups

-Trainees groups in education activities

34300 Facilitators Development

Direct Target Groups

-Heads of training institutions and selected senior facilitators.

Actual Target Groups-Facilitators/trainees at local level.

34400 Human Resources Advisory Services

Direct Target Groups

-Trainers/Facilitators/Policy makers.

Actual Target Groups

-Trainers/staff members of cooperatives.

34500 Building Communication channels on Regional Educational Activities

Direct Target Groups

-Heads of national training institutions and members of the regional Sub-committees.

Actual Target Groups

-Trainers of various national and local level coop training institutions.

34600 Development of Women through Cooperatives

Direct Target Groups

Women leaders, national cooperative organizations.

Actual Target Groups

-Women leaders, women members, facilitators.

III.3.4.5 Organization

3.4.5.1 Policy

ICA Regional Office for Asia (ROA) would, as a principle, channel its educational/training activities either through the member organizations or through any other organization collaborating with those national unions involved. The ICA would particularly act not only as a catalyst to work out these activities but would also enter into the execution of projects wherever necessary. Assistance would also be given as a complimentary exercise to ongoing cooperative projects promoted by national and international organizations. ICA ROA considers that educational activities are not ends in themselves but serve as means to achieve objectives and therefore form an integral part of the overall development programmes having in mind the results to be obtained through cooperative opera-

tions. These activities reflect on technical aspects as well as behavioral aspects of the organization. The educational function is also considered as a living organism changing with the cooperative organization and therefore it has to be flexible in approach to integrate the technical developments as well as human development.

3.4.5.2 Strategy

Various studies conducted by international organizations such as FAO (Study on Agricultural Cooperative Training Projects in Asia and Pacific Countries), ILO/NORAD project on Cooperative Policies and Standards (Cooperative Training Policies) emphasize the need to concentrate on country's specific in-depth work and also recommend that there is a role to be played by the international organizations. This very fact has been highlighted in the evaluation report of ICA issued in 1987.

In order to deal with the various problems prevailing in national and member organizations in the Region, studies would have to be made. Although there are some studies available as mentioned above, they may not reflect on the contemporary situation as seen in the organizations and the Regional Office itself. However, this study may be confined to the movements who are receptive to such an exercise and also should be a multi-disciplinary exercise with a view to prepare development plans on long term basis. Once the national development plans are prepared and accepted, the ROA would decide on the technical assistance it could offer to the respective movements. This activity will be undertaken by the Development Planning Project in the ROA. The role of the Human Resource Development Project is to participate in such an exercise and contribute on human resource development aspects. This would ultimately result in management and organizational development in Cooperatives.

In order to launch development projects on a long term basis by any movement, it is necessary to have competent training personnel and technical know-how at the national level. Developing such resources would take a long time since it deals with behavioral side as well as the technical developments. Any development project has to work within the existing infrastructure available in the national movements.

Unless the training activities form complimentary and integral components of such development activities, the project would become a total failure. To deal with this problem a long term Facilitators' Development programme along with problem oriented training activities are to be initiated. In the above circumstances, we have two types of training needs prevailing in cooperative development:

- (a) Learning needs as identified by projects of the ROA based on the nature of the projects, and

- (b) General learning needs identified to develop facilitators on long term basis.

Manpower planning and manpower development covers a wider aspect of management development. Organizational development is another important aspect. Although these aspects are within the scope of the Project, the main focus of the current 4 years' plan will be the development of member, leaders, facilitators and women.

3.4.5.3 Priorities

The evaluation team of the ICA has identified certain priorities for human resource development activities at the regional level. A 4-year plan has been prepared in keeping with the priorities identified by the evaluation team and also, the ICA policy statement on Cooperative Development. Some of the additional activities appearing in the plan are essentially complimentary to the fulfillment of the objectives of the programmes identified as priorities. Availability of financial resources and the Donor agencies' priorities have also been taken into consideration.

3.4.5.4 Monitoring and Evaluation of Human Resource Development activities of the Regional Office for Asia

It is necessary to evolve a mechanism to monitor and evaluate the activities undertaken by the ROA nationally so that the terminal evaluation would become easy and the process could be facilitated. Considering the limited personnel and other resources available in the ROA and the benefits of using sub-committees, specialists groups and liaison officers to receive feed back on the results of these activities, it is suggested to activate the Education/Training Sub-committee in a modified form with broader objectives and a different structure. The Sub-committee could be used to receive feed back from the field and also use it to influence the organizations in the field, for better responses.

However, the Project Officer in charge of human resource development in the ROA would prepare indicators on which he will receive constant feedback on national and regional activities through correspondence and through occasional visits whenever a need arises.

III.3.4.6 Activities

- Analyse and document methodologies in member/ committee member development.
- Train selected facilitators on the approaches and methodologies at workshops.
- Systematically organize learning/training materials, aids and equipment available at the Regional Office.

Reproduce and distribute training material to cooperative training institutions.

- AGITCOOP meeting and seminar on modern educational technology.
- Assess the current situation on the basis of study and identify the nature of specific projects/programmes.
- Prepare specific projects in selected countries in areas of training and mobilization of women.

III.3.4.7 Budget and sources of funds

The total budget for the Human Resources Development Project during the next four years will be as follows (see Annex III.3.4.7 : page).

(in Swiss Francs)

Year	Total	MO	SCC	Other Donors
1988-89	193,000	-	111,110	81,890
1989-90	566,667	168,223	122,222	276,222
1890-91	448,889	81,666	145,557	221,666
1991-92	519,888	71,556	168,333	279,999

III.3.5 COOPTRADE PROJECT

III.3.5.1 Background

3.5.1.1 Phase I : Research - 1978-82

Jointly funded as "the ILO/SIDA Regional Project on Strengthening of Inter-Cooperative Trade Relations" the project consisted of the following main activities :

- i. Survey of potential export products from cooperatives in selection Asian Centres.
- ii. Regional (1) and country (7) workshops on international cooperative trade.
- iii. Fact-finding missions in Asia and fellowship programmes in Europe for selected participants.
- iv. Preparation papers and consultancy services to South and South-East Asian Cooperatives.
- v. Joint preparation of training programme materials on Export Marketing

for cooperation with the ILO/SIDA Project (MATCOM).

The major output of this period was consciousness raising among cooperative leaders and stimulation of interest among regional cooperatives in international trade; also a publication of a Cooperative Trade Directory (1980) which is currently undergoing its second revision.

3.5.1.2 Phase II : Project Implementation - 1982-87

Project funding for a Trade Adviser and limited programme funds through SIDA/SCC to ICA for implementation under the ICA Regional Office in New Delhi. Activities included :

- i. Regular visits to South-East Asian countries for direct personal trade assistance and advice (India, Sri Lanka, Philippines, Indonesia, Thailand).
- ii. Provision of limited consultancy resources in project feasibility, product design and market surveys.
- iii. Development of promotional materials for project and products.
- iv. Conduct of training programmes with selected cooperatives in Export Marketing Techniques (Thailand and Sri Lanka).
- v. Monitoring of export activity with related assistance.

The project office was moved from New Delhi to Kuala Lumpur in 1983 and has been successful in initiating about US\$ 10 million in export transactions by cooperatives in the region.

III.3.5.2 Assumptions

The implementation of the project and its activities is carried out with the support of the national level and cooperative business organizations in the Asia-Pacific region. It is assumed that they will contribute to the policy and operational requirements of the project to ensure the commercial viability of cooperative international trade activity in the region in the future.

It is also assumed that the project will generate a positive response from government officials in the region who will lend their support to the project activities.

III.3.5.3 Objectives

3.5.3.1 To have established a policy framework by which cooperatives in the Asia Pacific region are enabled to expand their industrial and international commercial activities.

3.5.3.2 To have established an operational framework (among cooperatives) for

international trade of participating countries in the Asia Pacific region.

3.5.3.3 To have developed the technical expertise of select cooperatives to enable them to enter and sustain viable international trade operations.

3.5.3.4 To have delivered a result-oriented project supported by cost efficient project administration.

III.3.5.4 Target Groups

Target groups consist of the national level and business cooperative organizations and/or their specifically designated operating division concerned with international Trade. Included in this group are cooperative leaders and management personnel who are responsible for this activity.

Also in the target group are select cooperatives requiring some developmental assistance to enter international product markets.

The fourth target group will include ministries and departments responsible for cooperative development and international trade to ensure that cooperatives have equal public policy support for engaging in export/import activities.

III.3.5.5 Organization

As envisaged under the third phase of the project (1987-92) a network of country affiliated Cooptrade officers will be established to ensure an on-going commercially viable framework for the project and its activities. The staff of these offices will be determined by the member organizations of SCTI under policy guidelines and will report annually against a budget and work plan.

The Project office will continue to operate under a Trade Adviser, Assistant and Secretary as its core staff.

The Project will continue to report and coordinate its activities through the Regional Office.

III.3.5.6 Activities

- SCTI meetings
- Country missions
- Market development (trade missions/promotions/fairs).
- Trade and Industrial Development Incentives.
- Technical consultancies
- Training on Export Marketing Techniques (Malaysia and Thailand).
- Trade information.

III.3.5.7 Budget and Sources of Funds

Total budget for the Cooptrade Project during the next four years will be as follows (see Annex III.3.5.7 : page).

(in Swiss Francs)

Year	Total	ICA	MO	SCC	OFA
1988-89	732,000		238,000	259,000	235,000
1989-90	994,000	4,000	303,000	279,000	408,000
1990-9	1,323,000	4,000	622,000	300,000	397,000
1991-92	1,644,000	4,000	888,000	291,000	461,000

III.3.6 AGRICULTURAL MANAGEMENT TRAINING PROJECT

III.3.6.1 Background

Under an agreement signed between the International Cooperative Alliance (ICA) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan, the ICA launched in 1986 the Management Training Project for Agricultural Cooperatives in Asia. Under this Project, a training course will be organized on "Strengthening Management of Agricultural Cooperatives in Asia" for the cooperative movements from Asia. The training programme will be for a total duration of six months to be divided into two parts, one in India and the second part in Japan, with study visits to agricultural cooperatives in four countries of the Region, and preparation of development projects by participants in their respective home countries.

The first training course was held from 1st November 1986 to 5th May 1987 and the second one was carried out from 26th October 1987 to 10th May 1988.

The agreement is expected to run for five years, subject to renewals each year.

III.3.6.3 Objectives

The overall objective of the training programme under this Project is to

help strengthening and improve agricultural cooperative performance in the Asian Region in order to bring about a qualitative and quantitative improvement in cooperative services to member farmers at the grass root level. The overall aim is to help improve members' income and ensure his active participation in the cooperatives' activities.

III.3.6.4 Target Groups

Direct Target Groups

- National organizations of agricultural cooperatives.
- National Cooperative Unions.

Actual Target Groups

- Middle and senior level managers of cooperatives or their supervising organizations from the Region.

III.3.6.5 Organization

The objectives of the Project would be achieved through the assistance of the member organizations in formulating and implementing developmental projects prepared by participants and effectively implementing the new ideas learnt from the training courses by the participants.

III.3.6.6 Activities

The activities of the project will be mainly the implementation of the Training Programme with the following segments :

- The first part of the training programme in New Delhi including study visits in India.
- First part of study visits in another country.
- Preparation of developmental projects by participants.
- Second part of the training programme in IDACA, Tokyo, including study visits in Japan.
- Second part of study visits in another country.

III.3.6.7 Budget and Sources of Funds

The total budget for the Agricultural Management Training Project during the next four years will be as follows (see Annex III.3.6.7 : Page).

(in Swiss Francs)

Year	Total	MO	MAFF
1988-89	724,445	10,000	714,445
1989-90	724,445	10,000	714,445
1990-91	724,445	10,000	714,445
1991-92	724,445	10,000	714,445

III.3.7 ADMINISTRATION

III.3.7. Background

Since the restructuring of the Regional Office for Asia (ROA) which began in 1985 the total strength of the ROA consist of the Regional Director, Regional Development Officer, Accounts Officer, two Secretaries, a driver and two peons. However, the Regional Development Officer is also the Head of the Development Coordination Unit and therefore he along with his secretary is on the strength of the DCU. Thus the core staff of the Regional Office presently consists of only six people; i.e Regional Director, Accounts Officer, one Secretary, a Driver and two Peons. In addition to carrying the normal activities of the ROA, the ROA also coordinates, and backstops the project activities through the Regional Development Officer. Besides the Accounts Officer, two Secretaries, a Driver and two Peons, all other staff members are on contract basis.

The office of the COOPTRADE Project is located in Kuala Lumpur, Malaysia, as also a Special Adviser is posted in Australia for Pacific. The post of Agricultural Development Officer is yet to be filled.

III.3.7.2 Assumption

It is expected that an Agricultural Development Officer possibly a Korean will join by July 1988. The period of contract of the present Expert on Consumer Cooperation expires on 30th June 1988. A new Consumer Expert is expected to join from July 1988. Continuance of the Special Adviser in Australia after June 1989 would depend on the support generated from the Australian Movement and Australian Government.

III.3.7.3 Objectives

Under this project it is ensured that the activities under the various projects are carried out as per objectives laid down by the donor agencies and guidelines given by the Regional Council and its Specialized Committees.

III.3.7.4 Target Groups

The target groups of the Regional Administration are the project advisers and the sub-office located in Australia. Regular liaison is also maintained with organizations providing funding support.

III.3.7.5 Organization

In addition to Project Advisers for each project, the organization set up of the ROA consists of Regional Director who acts with the support of the Deputy Regional Director-cum- Regional Development Officer. The Accounts Officer is responsible to ensure that the accounts are properly maintained, funds are properly utilized and HO is kept informed regularly about the funds and their utilization. ROA is also responsible for meetings of the Regional Council and Specialized Sub- Committees. Quarterly planned programme of activities for the next quarter as also targets achieved for the earlier quarter is consolidated and sent to HO to ensure proper backstopping.

ROA has a building of its own, namely, Bonow House which provides to the projects accommodation for their activities. The ROA also provides telex, telephone and other services to the projects.

III.3.7.6 Activities

The specific activities to be carried out include preparing annual budget for the development programme, coordinating annual work plan of the development projects, coordinate the flow of funds from HO to the projects, provide regular financial and programme reports to HO, ensure efficient financial management and project activities and to integrate the development programme into the ROA financial and administrative support.

III.3.7.7 Budget & Sources of Funds

A statement showing the budget and sources of funds is enclosed as Annex III.3.7.7.1 (page).

Another statement showing item-wise plan of operation for 1988 is also enclosed as Annex III.3.7.7.2 (page).

Mr.G.K.Sharma
Regional Director
ICA ROA

APPENDIX III

OVERALL STRATEGY OF THE ICA FOR THE DEVELOPMENT OF CONSUMER COOPERATIVES IN THE ASIAN REGION

1. Introduction

This paper is presented at the ICA Regional Workshop on evolving an appropriate strategy for the promotion and development of sound and effective consumer cooperative movements in the Asian Region, as a presentation of the Overall Strategy of the ICA Development Policy and Strategy in relation to the field of consumer cooperation. In dealing with the overall development situation in the world, the paper will try to relate the world trends into the Asian Region and more specifically to the developing countries, so as to enable us to identify the role of consumer cooperatives and the ICA ROA-being regional organization of cooperatives in the near future.

2. Current Development and Market Situation

The challenge faced by the consumer cooperatives for the near future has to be assessed in relation to the world development and market situation. Consumer market changed with the level of development and also the consumer behaviour that would change in keeping with the development trends.

A study by the United Nations has revealed certain important basic facts which could be analyzed in relation to the trends in developed and developing countries.

Some basic indicators given in the study are given in the following page:

SOME BASIC INDICATORS OF DEVELOPMENT
1985

Region, Economic Grouping, Country or Area	Population		Area KM ²	Density Inhabitants per KM ²	Gross Domestic Product	
	Total	Annual Ave. Growth Rate			Total	Per Capita
	000's	In %			Dollars	Dollars
<u>Developed Market Countries</u>						
Europe	352,629	0.4	3594949	98	2893863	8207
America	263,446	1.0	19348742	14	4307898	16352
Asia	124,994	1.0	393080	318	1348064	10785
Israel	4,252	2.4	20770	205	22861	5377
Japan	120,742	1.0	372310	324	1325203	1097
Oceania	19,016	1.4	795526	2	177184	9318
Australia	15,690	1.5	7686846	2	155047	9877
New Zealand	3,318	1.1	268680	12	22137	6672
<u>Developing Countries</u>						
Asia	1,570,323	2.3	15665423	101	1115028	710
Indonesia	166,440	2.2	1904570	87	85083	511
Malaysia	15,557	2.4	329750	47	31231	2001
Philippines	54,498	2.5	300000	182	32757	601
Singapore	2,559	1.4	580	4412	17475	6830
Thailand	51,411	2.3	514000	100	38343	746
Bangladesh	98,657	2.5	144000	685	16069	163
India	758,930	2.1	3257587	231	196904	259
Rep. of Korea	41,258	1.7	98480	419	86792	2104
Sri Lanka	16,205	1.7	65610	247	5978	369
Afghanistan	18,140	2.5	647500	28		
Nepal	16,625	2.5	140800	118	2347	141
Pakistan	100,380	2.9	803940	125	30997	309

Source: Handbook of International Trade and Development Statistics-
United Nations - New York - 1987

The facts which could be derived from the figures given are as follows:

Summarily the decade starting from 1980 has been noted for the most

severe set-back for the world development process in the last three decades. An UNCTAD report published in 1987 based on the findings of the above survey has revealed that these consequences included social and economic stagnation, regression and also severe damage to development process.

The annual average growth of GDP for developing countries has fallen from 5% to 1% during the first 4 years of the decade. This resulted in reduction in the availability of resources to the inhabitants of developing countries and contractions of living standards (except Japan and Australia, all the other Asian countries fall within the developing category). The GDP per capita gap between developed and developing countries too got widened. The GDP per capita of developed countries in 1983 was \$ 10,110 whereas Asian developing countries was \$ 720. This set-back has reflected in widespread reduction of employment and earnings and also decline in social welfare, nutrition, health and education. This has also resulted in the fall in production and investment and also adverse effects on attempts to improve technological capabilities. The governments, either through their own initiative or through the influence of international lending agencies had to impose cuts on many social welfare functions.

Considering the global regression, the consumption pattern of the developed countries was also subjected to considerable changes. The change has also been a result of the changes in food habits. The consumers in developed countries were changing their high calorie diet to low calorie diets which resulted in cuts of imports of primary resources from developing countries. Technical developments made in the food technology as well as other fields too have contributed to reduced raw material content of outputs. Consequently the situation had a great impact on production and price levels of export commodities of the developing countries. The price decline during 1980-82 was 15% and by 1986, the prices fell by about 1/3rd from the 1980 level. The real fall of prices between 1980-86 was 37% being the lowest level for half a century.

The developed countries adopted a strategy of using hi-tech strategies to produce consumer commodities at a minimum cost. In order to deal with the problems which arose from this tendency such as unemployment and increasing low purchasing power of developing countries, the developed countries adopted several measures such as cut back on industrial production, prohibitive interest rates for debts for developing countries, import restrictions and protectionism. The food and other commodity manufacturers in developed economies have used communication strategies to advertise and market their synthetic products over tropical natural consumer commodities by creating an artificial demand. This trend has brought in product-mix which is temporary and subject to obsolescence. Plastics and other connected fibre industry and also artificial food commodities came into existence. Manufacturers started planning obsolescence in order to achieve replacement sale. In the process, they achieved fantastic rate of returns. The consumer is caught in the trap. However, this trend goes well in line with the very temporary and rapidly changing nature of modern society. Change in consumer needs and technological progress are inter-dependent in accelerating

the process.

The sad thing is that due to sophisticated advertising, which affect the psychology of the consumer, he becomes confused about his actual needs and is normally attracted to the advertisement. However, they do not have the purchasing power to buy essential commodities even to feed their primary biological needs. This situation is changing the dietary habits of the consumer, even in developed countries. Primary commodities are replaced by low-cost synthetic commodities. This trend has also affected not only the internal market but also the export markets of the developing countries. On the other hand, developed countries have started subsidizing their domestic agricultural production which has resulted in bringing down the imports from developing countries.

On the other hand, although an artificial demand is being created in developing countries for high-tech commodities, inspite of the low cost of production, the prices have kept escalating due to foreign exchange rates and even interests on consumption and capital credit facilities provided by developed countries and international monetary agencies.

When we consider these factors, the developing countries appear to have got caught in a vicious circle. In order to achieve substantial growth rates for developing countries, the UNCTAD report recommends¹ following measures by the relevant countries:

- i) Mobilization of domestic resources,
- ii) Expansion of industry and agricultural production,
- iii) Development of external trade, and
- iv) Efforts to develop and implement adjustment programmes.

However, the remedies suggested are subject to critical influence by the developed countries, through their national, international and trans-national manufacturing and distributing agencies.

One of the most important remedial measures suggested is the mobilization of domestic resources. It has several approaches:

- Mobilize savings
- Mobilize human resources
- Encouraging private initiatives (including cooperatives)

The report states, "A number of recent policy measures adopted by least developed countries tend to encourage the positive contribution of the private sector, particularly of indigenous entrepreneurs to economic development. These measures include the liberalization of prices and of commodity markets, the promotion of village associations and cooperatives, the privatization of public enterprises, the expansion of the financial network and the granting of fiscal and

other incentives to private initiatives.”

3. Task for Consumer Cooperatives

The contemporary consumer cooperative movements have faced the challenge of meeting demands of the ever changing consumer needs. The change of consumer behaviour accelerated by the factors explained above demands re-thinking on the part of the consumer cooperatives if they are to survive the current turbulence and serve and guide the members into more conscious partners in managing consumer business.

Countries in the Asian region has shown varying degrees of development in consumer cooperatives, from non-existence to modern market oriented super-market systems. The strategies of consumer cooperative development may differ from country to country depending on the needs. However, the cooperative value system and its policy are universal to all cooperatives. Therefore, it is necessary to adhere to cooperative form of management and development in all aspects of consumer cooperation.

Then what are the consumer needs of the present day consumer cooperative movements? Some of them can be identified as follows in terms of trade and development issues discussed above:

The overall aim:

The overall aim of a consumer cooperative organization is to provide all kinds of goods and services for welfare of the people in a given society.

Functions:

In order to achieve this, cooperatives will have to undertake many functions:

- Mobilize consumers into strong participative consumer enterprises,
- Strengthen the management of consumer business operations which should result in profitability and viability of operations.
- Integration of consumers with producers to achieve mutually helped economic activities and social integration.

Strategies:

What are the strategies which could be used in carrying out these activities? Some of them have been identified by Mr.Sven Aake Book of the Swedish Cooperative Research Institute in a paper prepared for the ICA Congress in July 1988 as following:

- 1) Cooperative acquisition of goods and services via joint purchasing, own production and distribution which influences market supply.
- 2) Cooperative information distribution and education about goods and services among members and consumers which influences market demand.
- 3) Cooperative consciousness raising of different kind (own press, committee reports, participation in investigations and government authority, supervisory boards, etc.) which in an overall manner influences market 'rules of the game'.

The consumer cooperatives, being cooperative form of organizations have their own policies and value systems. Book identifies the special character of consumer cooperatives as a combination of a collective and an individual form of consumer policy and also as an organized management and organized avenue for consumer influence which represents a kind of economic democracy in the area of consumption within the society as a whole. These policies are implemented through and for the members. Here the business economy is united with household economy. Thus cooperatives represent a best form of enterprise which would work for the well-being of people as against the market economy which has been described above. The values maintained by the cooperatives too illustrate the identity it has among other enterprises. Sven Aaake Book has tried to analyse the value base of cooperatives in his paper presented at the ICA Consumer Committee meeting held during the ICA Congress as follows:

- *Self-help values (activity, creativity, responsibility, independence, "do it yourself")
- *Mutual self-help values (cooperation, unity, collective action, solidarity, peace)
- *Democratic values (equality, participation, equity)
- *Educative values (humanism, independence, constructiveness)
- *Voluntary effort values (commitment, creative drive, independence, pluralization)
- *Value of universality and cooperatization (global perspectives, openness)
- *Values of purpose (benefits to members)

The discipline maintained through these values makes cooperatives and their members an enlightened community of consumers who would have a clear perception of the present market based economy and would be in a position to direct the changes rather than succumb to changes. They would use the strategies analyzed above to achieve:

- greater influence in market price levels,
- counter-balance in supply and demand,
- consumer alternative of cooperative brand goods, and
- reflection of consumer interest in all spheres of society.

One of the basic ideals that are to be revived or promoted through integration strategies as described above is the integration of producers with consumers. The ICA has recognized this as a future task and initiated a continuing dialogue through joint meetings of producer cooperatives with consumer cooperatives during the last Congress. During the early state of cooperative development, this integration was already there with the society before industrial revolution. Although pioneers of cooperative ideology adopted this character for their ideal, it never succeeded in later stages.

There is a resurgence of this phenomena predicted by Alvin Toffler in his book titled 'The Third Wave'. He identifies this integrated society as "prosumers Society". The ideal of this society is a self reliant 'prosumer' who would defeat the market-oriented economy becoming a producer and the consumer simultaneously. He also calls it a 'trans-market civilization'. In order to distinguish it from the pre-industrial society. He says "By 'trans-market', I mean a civilization that is dependent on the market but is no longer consumed by the need to build, extend, elaborate and integrate this strcture".

When we consider these changes in the market based economics and consumers behaviour led by the promoters, we could see that consumer cooperatives can no longer confine themselves to traditional market practices and management styles. They have to rethink their news tasks and roles in the modern complex society.

4 ICA Development Policy and Consumer Cooperatives

A set of guidelines for cooperative consumer policy issued by the ICA Consumer Committee in 1988 highlighted following assumptions:

- Consumer Cooperatives are the world's greatest mass movement of consumers,
- Cooperatives are businesses guided by ethical values,
- Member administrative bodies occupy a key position in deciding the operating policies of their societies,
- Administrative bodies are the essential link between members and management,
- Cooperative consumer policy should not be limited to its own business operations, but participate in a general consumer policy,
- Problems exist to be overcome. The world should be seen as a challenge.

The ICA has an overall cooperative development policy in keeping with the role it has to play for their member organizations. The Development policy has been democratically decided at the Central Committee meeting held in 1982 which directs the activities of the Regions. The three basic development objectives are:

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

In order to achieve these objectives, the ICA was subject to structural changes since 1985. The development activity was given an identity and more importance by creating a separate development function with a Development Director. This section would coordinate activities of specialized committees: Agriculture, Consumer, Banking, Fisheries, Housing, AGITCOOP, Womens' and Insurance. The role of the development section has been identified as follows:

- Function as a coordinator and catalyst of cooperative development.

In order to perform this role, the Development section would undertake following activities:

- i) Assist member organizations in developing countries to identify their needs and prepare comprehensive development programmes.
- ii) Establish an on-going policy dialogue with governments in developing countries.
- iii) Resource mobilization:
 - a) assistance in project identification, design, monitoring or evaluation,
 - b) advice in identifying country or sectoral priorities,
 - c) policy guidance in methodology, and
 - d) identify new donors, encouraging more movement to movement assistance.
- iv) Increased liaison with UN agencies.

The structure of the Regional offices including Asian Regional Office was modified to keep in line with this change. The traditional hierarchical structure was changed into project oriented tasks. Eventually the Regional offices

are to become coordinators, catalysts or facilitators rather than implementators of programmes. Implementation process would take place at the national level.

Accordingly, the Regional Office for Asia has organized specialized projects headed by Project Advisors as follows:

- Development Planning (& Coordination)
- Agriculture
- Consumer
- Human Resource Development
- Cooptrade.

Fisheries and Cooperative Finance projects are yet to be developed into separate projects. At the moment, they are attached to the Development Coordination Unit.

These projects are assisted through advise and guidance by specialized Sub-committees. As an example, the Consumer Cooperative Development Project is assisted by a Sub-committee on Consumer cooperation. The Regional Council for Asia functions as the policy making body at the Regional level in keeping with the overall development policy of the ICA.

The long term plans and annual plans for the projects are prepared through the identification of needs by the Project Advisors in consultation with the Sub-committee and the member movements.

The Consumer Cooperative Development Project is guided by an overall objective thus decided:

Overall Objective:

The overall objective of the Consumer Cooperative Development Project is to help member movements in the Region in developing sound and effective consumer cooperatives in their own countries.

In keeping with the overall objective, following specific objectives have been formulated:

- a) To assist member movements in strengthening members organization in their cooperatives and the organizational structure of their movements.
- b) To assist member movements in evolving an appropriate strategy for the promotion and development of an effective and sound consumer cooperative movement in their respective country.
- c) To assist member movements in developing human resources

(employees and committee members).

- d) To provide technical know-how and information on retail management and shop operations, etc.
- e) To create favourable climate for the growth of self-reliant and autonomous consumer cooperative movements in developing countries.
- f) To review trends of development of consumer cooperative movements in the Region.
- g) To assist member movements in the Region in preparing their long-term perspective plans.

The project has prepared a four year plan at present and working towards its goals accordingly. The ICA Sub-Committee on Consumer Cooperation for Asia guides in the implementation of the Plan and initiates changes whenever necessary. Sub-committee meetings are normally held twice a year to provide forums for such monitoring.

A copy of the Perspective Plan is attached as an annexure. However, the plan is not the last word of future activities of the ICA. Nothing can be taken as final in the ever changing consumer world.

As you could see, the task lies with the consumer cooperatives in the developing countries in the Region is difficult in the light of their disadvantageous position with big market powers. However, through mobilization of their members, leaders and staff members in keeping with their principles and values they could achieve balanced development as against private enterprises. The consumer cooperatives in the developed countries could play a major role in this effort through sharing technical know-how and collaborated market activities through even multinational or transnational cooperatives.

Integration with producer cooperatives would bring in more resources and strength and also a counter balance of market. Therefore, the potentiality of consumer cooperatives is not at all bleak.

5. Conclusion

This presentation has tried to analyse the present trends in global and regional trade and development and tried to identify the challenges faced by the consumer cooperatives in developing countries. An attempt has also been made to identify the emerging weaknesses and the possible remedies through new policies and value systems. The role of the ICA and its recent changes was matched with these trends and needs. The nature of developmental activities that would be undertaken by the ICA for the next few years were also highlighted for

clarification and discussion.

It is hoped that this presentation could serve as some ideas for further discussion at the workshop on 'Evolving an appropriate strategy for the promotion and development of sound and effective consumer cooperative movements in the Asian Region'.

By
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APPENDIX IV

CONSUMERISM AND COOPERATIVES- MECHANISM FOR SOCIO-ECONOMIC JUSTICE

By

Mr. Bishan Singh Bahadur A.M.N.

President, Federation of Malaysian Consumers Associations (FOMCA)

COMMON GOAL

It is interesting to note how consumerism and cooperatives are two distinct movements with separate approaches to a common goal.

Cooperatives as began by the Rochdale pioneers in 1844 was primarily to redress the economic crises faced by the working class. The objectives are:

- * to get value for their hard earned money, and
- * value for themselves as human beings,

through the principle of voluntary cooperation, the practice of democracy and the aspiration to promote an economic system that will ensure socio-economic justice based not on the principle of profit but service.

The consumer movement, began in the 1930s as a movement for social justice in depression wrecked America. It was concerned with the safety, standard, quality and prices of goods and services and how consumers were serviced and treated. The objectives of the consumer movement are also :

- # to get value for their hard earned money, and
- # value for themselves as human beings,

through research, test, advocacy and representation to promote a fair and equitable socio-economic system. It is also based on the principles of voluntary cooperation and democracy.

THE CONSUMER MOVEMENT

The consumer movement through the International Organization of Consumers Unions (IOCU) has enunciated a philosophy of belief and a philosophy of action to ensure that people in their role of consumers can, through individual and group action, achieve a better quality of life for all and in the process build a fair and just society.

The philosophy of belief of the consumer movement enunciated by IOCU is known as “**The Five Pillars of the Consumer Movement**”. The philosophy of belief is as follows:

1. Caring People

The consumer movement is people who care about others and about themselves. It is about value for money of goods. But more importantly, it is about value for people.

2. Protecting the Earth

Consumers must be conservers, protecting and preserving the earth. We must be aware of the consequences of our actions so that the earth's resources are not squandered by the few at the expense of many.

3. Knowing Your Rights

Human rights are central to the consumer movement, especially the right of people to have their basic needs met.

4. Fighting for Justice

Political and economic systems often discriminate against the powerless. Consumers can help build fair, rational and just societies.

5. Discovering Your Power

Acting together ordinary people can make a difference. Consumers can use their joint power to protect their interests and fight those forces that threaten them.

CONSUMERS' RESPONSIBILITIES

As caring people, we must exercise certain responsibilities. Responsibilities always precedes rights. Without responsibilities there are no rights. Appreciating this important aspect, the IOCU has enunciated 5 responsibilities for consumers as follows:

i. Critical Awareness

The responsibility to be more alert and questioning about the price and quality of goods and services we use.

ii. Action

The responsibility to assert ourselves and act to ensure that we get a fair

deal. As long as we remain passive consumers we will continue to be exploited.

iii. Social Concern

The responsibility to be aware of the impact of our consumption on other citizens, especially disadvantaged or powerless groups whether in the local, national or international community.

iv. Environmental Awareness

The responsibility to understand the environmental consequences of our consumption. We should recognize our individual and social responsibility to conserve natural resources and protect the earth for future generations.

v. Solidarity

The responsibility to organize together as consumers to develop the strength and influence to promote and protect our interests.

CONSUMER RIGHTS

The demand for rights cannot be recognized and achieved without clear identification and articulation of these rights. Again the IOCU has articulated 8 consumer rights for the consumer movement and the consumers. They are:

1. Basic Needs

The right to basic goods and services which guarantee survival: adequate food, clothing, shelter, health care, education and sanitation.

2. Safety

The right to be protected against the marketing of goods or the provision of services that are hazardous to health and life.

3. Information

The right to be protected against dishonest or misleading advertising or labelling. And the right to be given the facts and information needed to make an informed choice.

4. Choice

The right to choose products and services at competitive prices with an assurance of satisfactory quality.

5. Representation

The right to express consumer interests in the making and execution of government policy.

6. Redress

The right to be compensated for misrepresentation, shoddy goods or unsatisfactory services.

7. Consumer Education

The right to acquire the knowledge and skills necessary to be an informed consumer.

8. Healthy Environment

The right to live and work in an environment which is neither threatening nor dangerous and which permits a life of dignity and well-being.

ACTION PHILOSOPHY

To translate into reality the above beliefs and demands and to keep the engine of change in gear, the consumer movement has an action philosophy of its own. The five action philosophy of the movement are as follows:

1. To Act on Facts and Not Fiction

Testing, research and verification forms the bedrock of consumer action. Respecting truth as an important pre-requisite in business transaction; the movement imposes upon itself strict standard of truth in its action philosophy. All action, viewpoints and opinions of the consumer movement is based on facts.

2. To Think Global and Act Local

Today the market system has spread to every corner of the globe. The rise of trans-national corporations has turned the world into a global factory and the local markets into a global shopping centre. Consumer action must also span the global horizon but for effective action it must begin at the local level. The pressure from the local level and build-up by the bottom-up fashion and linked globally is the strength of consumer action for change.

3. To Work With and Not for the People

The consumer movement is a movement of people. Change is achieved through self-reliance and group action. Working with the people is the first

principle of group action and it develops self-reliance. Working for the people perpetuates apathy and dependency syndrome, two enemies of the consumer movement.

4. To Work Within and Not for the System

The action of the consumer movement starts from where the world is and as it is. That the movement accepts the world as it is, does not in any sense weaken its aspiration to change it into what the goals of the movement are. It is necessary to begin where the world is if we are going to change it to what we think it should be. This means working within the system. But not to be co-opted by the system and work for it.

5. For Good But Against Bad Business

The consumer movement is not anti-business; it is for good and responsible business. Everybody has a right to fair rewards for their labour and enterprise. The producer must put himself in the consumer's shoes. And if he can as a consumer accept his own product, then his conscience is clear as a businessman.

DEVELOPING COOPERATION

The cooperative and the consumer movement have common goals, objectives and aspirations but different approaches. It is, therefore, very essential and crucial for these movements to consolidate, extend and expand their cooperation. To achieve this, I propose the following:

a. Awareness and Understanding

The cooperators and their membership must be made aware of the philosophy and value system of the consumer movement. Likewise the consumerists and their membership must be made aware of the philosophy and value system of the cooperative movement.

b. Promoting Consumer and Cooperative Education

The cooperative movement together with their cooperative education must also provide consumer education to ensure optimum success. Likewise the consumer movement must incorporate cooperative education to consumer education to achieve a greater overall success.

c. IOCU and ICA Action Committee

To establish an IOCU and ICA Action Committee to inform one another of development and to increase cooperation on a more organized approach than

the ad-hoc manner as it exists today.

CONSUMERS AND COOPERATORS COOPERATION

The consumer movement and the cooperative movement should also ensure that cooperation filters down to the grass-roots. Consumers associations at the local level must touch bases with cooperatives at local level and vice-versa to ensure such cooperation.

MUTUAL HELP

The consumer movement should encourage consumers to adopt the cooperative economic system and become members and supporters of cooperatives and cooperative ventures.

The cooperatives should consider financial support to consumer associations on a regular basis from their surpluses as community aid project. Consumers associations as a principle are forbidden to receive financial support or aid from any capitalistic commercial enterprises and business.

THE FINAL GOAL

What the end result of such cooperation will be to promote a cooperative economic system as an alternative to the existing capitalistic and socialist system. This third system in the end can promote a human economy, appropriate technology and life style, sustainable development and a more humane social order.

The only constraint is, do we have the will and commitment to do so?

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APPENDIX V

CONSUMER COOPERATIVE RETAILING: LIFE SAVING STATIONS OR CLUBS

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Introduction

1. Mr. Chairman, fellow consumerists, I bid you a very good afternoon. Thank you very much for inviting me to share with you how we at IOCU see "Consumer Cooperative Retailing" at this ICA Regional Workshop. Let me begin with a story on Life-Stations and Clubs.

Life Saving Stations and Clubs

2. On a rocky and treacherous coastline, there were numerous shipwrecks and deaths. For a long time, there was nobody to save these poor, unfortunate seamen.

Then, some people decided to come together to remedy the situation. An ever vigilant group, they built a wooden shack, huddled together around a lamp and rushed out in their wooden boat to save the drowning whenever they heard the crash of a ship against the rocks.

They were saving lives, with no other motive than that of human love and respect for life.

Over time, various innovations crept in. More new members joined the group. The shack became a stone building, the boat was modernized into a pleasure craft and the members played snooker, played cards and socialized among themselves. They called themselves "The Seamen's Club" and forgot that they were associated for the sole reason of saving lives. Instead of keeping alert for shipwrecks, they enjoyed themselves while ships crashed and lives perished on the rocky coast.

After a while, some members whose conscience was pricked by the lack of life-saving activity of their "Club, left to form their own life-saving station. They effectively began anew the original vision complete with a wooden shack, huddled together around a lamp, ever vigilant to rush out in their wooden boat to save the drowning whenever a ship wrecked itself against the rocky coastline.

This short story exemplifies the history of all organizations. A history of organizations beginning with a vision but eventually losing that vision over time.

3. When I was asked to write this paper on “Consumer Cooperative Retailing”, a few words and concepts flashed across my mind. Among these key words/concepts were: common vision, economic democracy, social movements, service, a question of alternatives, consumer conscience, prophetic.- In a sense a picture of a life saving station.

But reality is never always rosy. When I thought of “Consumer Cooperative Retailing”, words and concepts like degeneration, dilution of vision, concentration of power, betrayal of trust, self-centeredness, exorbitant pricing also came to mind. One sees a picture of The Club in my earlier study.

A Common Vision

4. Since the dawn of recorded history, there has been a consumer movement which abhorred dishonesty and worked to protect the poor, low-income consumer. In our modern times, we have seen the development of three kinds of consumer organizations.

- * Economic/Service Organizations (which include cooperatives)
- * Advocacy/Social Organizations (consumer groups)
- * Political/Empowerment Organizations (consumer/political groups)

Today is significant because we see two groups of the Service and Advocacy type coming together to reflect on our common vision, our history and hopefully, our common future.

5. When the cooperative movement first began in 1844 in Rochdale, it was because a group of people-consumers-felt that the existing market relationship was both unequal and unjust. The weak bargaining position of the poor, unorganized workers/consumers in relation to the all powerful suppliers (i.e. producers, wholesalers and retailers) was unacceptable. Consumers were really getting a raw deal. There was chronic indebtedness, there was massive adulteration of food, poor quality products, excruciatingly poor wages for workers and monopoly pricing.

6. In the same pioneering spirit, the modern consumer movement was born out of the same fires of indignation at unequal market relations - with a quest to better the lot and future of all consumers.

The Cooperative Movement

7. The cooperative movement began as an endeavour to forge economic democracy in the face of untrammelled and unfettered private capitalism. It was an enterprise to conduct business with a human face and feelings. In fact, the

cooperative movement was quite distinct from “free but private enterprise” on quite a few grounds. For instance, while the corporation/company existed for the sake of profit, the cooperative aimed to provide quality goods at reasonably cheap prices for its patron-owners. Cooperative ownership was shared as opposed to corporate ownership thus, ensuring that control and distribution of profits was equitable. Cooperatives were “Common Wealth” organizations.

In a sense, cooperatives were radical organizations wherein Labour worked with capital rather than labour working for capital. Cooperatives were radical because they espoused a service association of people and for people. It encouraged self-help, participatory decision-making and collective action. It aimed to be an alternative retail outlet (product-wise, price-wise and service-wise) to existing businesses. It aimed to develop a “communitarian” spirit based on equality, justice and compassion for the plight of the less well-off. In short, cooperatives developed as a viable business and ethical alternative to free enterprise in a historical period of economic development wherein private capital was only talking of “I, Me and Myself”.

8. Cooperatives were a refreshing development - A new social movement concerned about social change. To a great extent, the modern cooperative movement has been faithful to this pioneering vision. A vision, and I quote from an ICA document, “in continuation of the work of the Rochdale Pioneers to substitute for the profit-making regime, a cooperative system organized in the interest of the whole community and based upon mutual self-help”.

Degeneration

9. However, having a vision and remaining true to it in today’s extremely competitive and profit-oriented society is very difficult. Often enough, we see cooperatives- and quite a few cooperatives if I may add- succumb to a tension between corporate profit and cooperative service. You have cases of cooperatives degenerating into purely BUSINESS OPERATIONS which serve their own corporate interests rather than those of their members. Product and service quality is compromised. Prices soar! Wages drop! Hazardous and unsafe products find their way onto cooperative shelves. Some cooperatives become investment arms and money spinners for political parties. Cooperatives lose their sense of accountability and turn into hierarchical power structures controlled by petty dictators. The original “collective and cooperative” people vision gets diluted, cooperative values degenerate and the end result is corruption- not only of the original Rochdale Vision, but corruption in the very sense of the word. But, as far as this is concerned, I am sure you are all more familiar about such instances than I am.

10. The world today, my friends, has no need nor desire for such degenerate consumer cooperatives. Profit-oriented business organizations, Trans-national corporations and at times, even some governments already contribute over-

whelmingly towards the world's problems. Never before in the history of the world have we been confronted with such:

VIOLENT TECHNOLOGY (Hazardous Technology & Dumping of Toxic Waste- Violent to people and planet).

Gross MANIPULATION OF CONSUMER BEHAVIORS, (Advertisements-Sexist and Misleading), and

WASTEFUL LIFESTYLES (Disposable wooden chopsticks, Cars changed annually, Electric toothbrushes).

This Terrible-Trio, Violent Technology, Manipulation of Consumer Behaviour and Wasteful Lifestyles form the crux of perhaps nearly all our problems today. Problems, the cooperative movement can help solve.

Wanted: A Prophetic Movement

11. What the world does look for, my friends, and what the consumer world wants, are Prophetic Organizations. Organizations which will stand up, be seen and say "No!"

No to Violent Technology
No to Manipulation of Consumer Behaviour, and
No to Wasteful Lifestyles.

12. We need Prophetic Organizations which will say:

"YES" wholeheartedly to ICA's Consumer Policy Programme drawn up in 1981 (circulated). Concretely, it means saying "yes" to:
The Right to Health and Safety

The Right to be Informed
The Right to Representation and Participation
The Right to Redress
The Right to Choice

And if I may add, we need prophetic organizations which will say "Yes"; two more 'Rights', i.e.

- * The Right to Basic Needs which guarantees survival. For many parts of the world, this right has become the foremost consumer right, and
- * The Right to Consumer Education.

13. In other words, we need organizations with a Consumer Conscience. Cooperatives are in a crucial position to have such a conscience. Indeed, coopera-

tives must have such a consumer conscience if cooperatives want to remain true to the vision of Rochdale.

14. Now, why do I say this? Why do I say that cooperatives are in a crucial position to be prophetic and to conduct its affairs with a consumer conscience? Well, the reason is this.

When you retail or purchase a product/service, it's not only the exchange relationship that's involved, rather, it's a whole set of social relations that underlie the sales transaction. In other words, what are the larger and often unseen implications in retailing/purchasing a product?

It is a question of Production

Do the manufacturing inputs destroy our environment?
Is the production process safe for workers?
Are hazardous chemical inputs used in the product with adverse effects.

It is a question of Exchange

Are the products overpriced?
Do workers get exploited?
Does the company make supra-profits?

It is a question of Distribution

Who is the distributor? Which market is catered for?
What are the links with racist regimes, eg. South Africa?
What are the marketing/advertising strategies used?

It is a question of Consumer

Is the product necessary?
Status symbol? Values promoted?
Is it safe to consume?
Does it endanger my lifestyle e.g. debt?

It is a question of Disposal

Can it be disposed? Where is it disposed?
How is it disposed?
Effect on economy/social/environment?

15. As such, it does make a tremendous amount of difference if we market products which have no corporate conscience. Products like CFC's pesticides, hazardous technology, toxic chemicals, useless drugs, etc. If we see these products

in the light of their production to disposal process, then we realize that these companies are guilty of destroying the earth. We want to move away from violent technology, crass advertising and wasteful lifestyles.

16. The role of cooperatives then is crucial both in taking an activist business stance to promote the survival of this our earth and its peoples, as well as educating its members about this quest. A quest which basically involves the five Consumer Responsibilities, which are:

- Critical Awareness
- Active Involvement
- Social Concern
- Ecological Awareness
- Solidarity

My friends, consumers are moving ahead. We have to adopt these five consumer responsibilities and reject the Terrible Trio. We are seeking change for the better. This is a new broader consumer outlook which reflects our solidarity and responsibility to create a better world. A responsibility to future but silent generations...our unborn children.

17. Such an outlook also demonstrates the maturity of the consumer movement. Consumption does not anymore entail getting value for your money. It is more than that. Consumption is a serious responsibility to be exercised wisely. The questions, "Why Consume" and "Who benefits" are now extremely significant when deciding about product choice.

"Right things at Right Prices" takes on a new dimension integrating concerns about injustice, ecology and the future. These concerns are all the more important, given the fact that we are in the Third World-A world confronted by a massive debt crisis, by underdevelopment, by dumping of useless products in our markets, ecological disaster, and assaulted by new "use and throw away" lifestyles.

18. Yes, my friends, prophetic cooperatives with a conscience are crucial. Marketing policies and consumer education activities of cooperatives must reflect the eight consumer rights and its con-committant five consumer responsibilities. Cooperatives must choose to champion or rather, wholesale and retail, the fundamental needs of millions of consumers for access to clean water, food, shelter, medicine, clothing housing, and a clean environment over the transient value of profit. For too often than not, these basic needs and rights have been denied to consumers by unresponsive markets, irresponsible governments, inefficient and profiteering enterprises, careless and corrupt officialdom sometimes even by cooperatives themselves.

Cooperatives are crucial because as a "people-oriented" business, you have the power to direct considerable human and other resources on behalf of

society. You can have a far-reaching influence over the way your members and the public live via your cooperative activities.

Cooperatives with a Conscience: A Challenge

19. Perhaps then, the challenge facing cooperatives today is to be prophetic and to re-interpret its consumer conscience in a new and vibrant way. Allow me to share some ideas.

a. Cooperatives should set very high standards of excellence in every aspect of our work. Not only should our work reflect our principles but our levels of research, provision of information, personnel training, participatory leadership and economic democracy should be professional and of high quality.

b. Cooperatives should consider developing more democratic forms of audit and accountability. Besides financial audits, the idea of SOCIAL AUDIT should be adopted. A social audit is basically a test of public acceptance of a cooperative's business standards and practices. It means putting forward for public scrutiny all the policies and practices of a cooperative and asking the public to pass judgment based on their evaluation of the cooperative's performance. A social audit could thus also form the basis of a cooperative's continued sales policy.

c. Cooperatives should try to re-interpret its basic concept of economic democracy. This entails cooperatives going back to its members and establishing better and more accurate avenues of dialogue and feedback.

d. Cooperatives should not only comply with UN Guidelines for Consumer Protection but should actively work for its propagation and adoption by governments and the cooperative membership.

Consumer education and lobbying activities should be intensified (document circulated).

e. Cooperatives should link with the consumer and ecology movements to learn, share and lobby for the earth's survival.

f. Cooperatives should involve themselves in business practices consistent with their original cooperative vision and the welfare of the public, and promote viable alternative lifestyles.

In other words, this is a life-long journey which will see cooperatives go through its own ups and downs. A journey to be a leader of consumer conscience in the business world. To be good business and not bad business.

Some Concrete Suggestions

20. On my part, I wish to end this presentation about "Consumer Cooperative Retailing" with just five concrete steps which cooperatives could easily undertake in their quest to be prophetic, consumer "conscience" organizations.

- i. Re-evaluate our cooperative business practices in the light of the original Rochdale vision, in the light of today's consumer rights and responsibilities, and the problems which confront our world today.
- ii. Link up, network with other consumer organizations, e.g. IOCU's Consumer Interpol, PAN, IBFAN, e.g. Greenpeace and other environmental groups to learn about current trends and developments in the consumer world.
- iii. Seriously consider developing a "Code of Good Cooperative Business Practices" to guide the growth and development of cooperatives.
- iv. Celebrate World Consumer Rights Day every March 15th widely with special marketing promotions to promote consumer awareness of cooperatives (The Alternative Store!).
- v. We must expand cooperative membership and outlets among low-income consumers. Consumer education efforts among cooperative members must also be intensified.

Conclusion

My friends, consumer cooperatives have come a long way since Rochdale. Some of us are now CLUBS while some of us are thankfully, still LIFE-SAVING STATIONS. The challenge of course, is to be a life-saving station.

Whether your cooperative becomes, or remains a life-saving station in touch with the consumer concerns of today, is very much a question of what you decide to do here today. The power to shape the future lies very much in the choice you make.

Thank you

Notes

* Andrew Aeria is IOCU's Education & Training Officer. This paper was presented on 7th December 1988 in Kuala Lumpur, Malaysia at the International Cooperative Alliance Workshop on "Evolving an Appropriate Strategy for the Promotion and Development of Effective and Sound Consumer Cooperative Movement."

****The International Organization of Consumers Union (IOCU) is a federation of consumer organizations dedicated to the protection and promotion of consumer rights worldwide through information, research and education activities. An independent non-profit foundation registered in the Netherlands, IOCU links the activities of some 170 consumer organizations in some 60 countries and represents the consumer interest at international forums.**

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APPENDIX VI

FUTURE STRATEGY FOR CONSUMER COOPERATIVE DEVELOPMENT

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Introduction

Every cooperative is as a social institution, defined and affected its character more or less by its own country's economy, politics, social system or customs and their history.

Besides those surroundings, most important elements for the success and development are the eagerness for the need of the cooperation by its constituent members and the dedication of its management and staff towards the realization of demands of its members.

In other words, the characteristic of cooperative is of dependence on its members and of self-reliance. You cannot import those elements from others. You cannot copy other movement automatically. Based upon these, then you can learn from other's experiences and attainments and could improve your movement.

The ICA Congress in Stockholm this year discussed about cooperative values and proposed for elemental values to be looked upon by all movements by Mr. Lars Marcus, ICA President, such as "participation", "democracy", "honesty" and "caring for others".

We have cooperative principles already for distinguishing ourselves as cooperatives. Based upon whichever cooperative values or cooperative principles, we have to revise our movement again and again periodically and take steps for improving our status at our best for realizing our cooperative aims which are to serve better for members' needs.

Members' Participation

Cooperatives are by, for and of members and trinity character of shareholding, utilization and participation in activities are essential to this unique but becoming common institution in this modern world.

In Japan, in 1970s we have organized new consumer cooperative societies throughout the country specially in the major cities and towns in each prefecture.

The core people were house wives and who were suffering from high inflation and pollution and who wanted to improve their life through cooperation.

We were lucky at that time that many skilful people came to help organizing and managing newly born cooperatives especially many from university coop staffs and graduates from university who experienced coop management while they were students.

Some societies opened stores at the places where there were no or few members existed and these experiences were critical to their operations because mere customers were indifferent to the coop and they never felt them as their own. Accordingly they were, so to say, capricious consumers visiting store to store looking for cheaper prices.

We, at the annual Congress of JCCU, liquidated the way of thinking and doing without members such as opening stores like coming down to new places by parachute. After that, we took the policy clearly to open stores after recruiting enough members to operate and manage them. In that case, store opening committees by member themselves in conjunction with management were set up and they were also springs for recruiting and welcoming new members.

And we have organized small groups called as HAN consisting of 5-10 member families in dwelling quarters as a basement of cooperative activities and members participation. At present, March 1988, we have nearly 747,000 HANs organizing 4.7 million members in them. This occupies 39.7% of the total membership.

They discuss everything about their needs and wants to the coop such as quality specially safety of merchandise and prices, new products and their ideas for creating new ones, coop store services, raising share capital and so on.

This HAN organization also works as social inter-exchange places of their own experiences in their life and home budgeting and house keeping as well.

Modern society specially industrial society avoids each person's company destructing the mutual help oriented community which has traditionally existed for long time. Asian countries are industrializing rapidly and urbanization might beget isolated citizens and consumers.

It is necessary for coops to have certain roles in these stages for combining consumers in creating better life and safeguarding from attacks mostly depriving consumers rights and exploiting under the new methods.

Japanese society is said to be homogeneous without any ethnical problems, and housewives are educated in the school while they were young, and they control house keeping and budgeting. This might be peculiar to Japan and

this helped much for housewives' participation to the cooperative activities.

However, under any condition, there exist surely consumers who come to a store for their families, home budgeters and its keepers. It is necessary for us to organize those people, who are true consumers, in the coop in some suitable and adequate way without keeping them as isolated members.

Sometime, the Government fears people's unity and gathering as dangers to them. This shows they don't believe in their own people. Democracy means approval of different types of institutions. We might say in the modern society mixed or different economic sectors are necessary in developing whole society to the future stimulating and complementing each other, and sometimes even competing. Those are public, private and cooperative (mutual help) sectors.

We ought to be alert that in Asia cooperative sectors specially in the retail fields are far weak in comparison to the other sectors. In Japan, members activities are widening its scope by organizing and mobilizing people to the cultural, educational, social well-being, sport and recreational activities.

Based upon HAN groups, cooperative areas are mostly divided into several districts and sub-districts in their administrative areas. Mostly from each district they elect a member of board of directors as a representative of members even though she or he is a lay-person. This is the way people feel the cooperative is their own and get their loyalty to the coop.

However, we are facing several problems which come from big and dynamic changes of consumers in this changing world. The biggest one is the increase of outgoing members.

Year	New Members (A)	Members Withdrawn(B)	B/A %
1980	466,112	162,572	34.9
1981	511,496	200,152	39.1
1982	593,527	211,526	35.6
1983	722,027	241,088	33.4
1984	880,481	273,303	31.0
1985	1,075,079	328,038	30.5
1986	995,475	355,064	35.7
1987	1,042,170	400,733	38.5

They say that they have no time to spare for participating in cooperative activities as they work outside home during day time and that there are no attractive merchandise in the coop store. We are introducing a system of Sunday of evening meetings for them and a more convenient way of ordering commodities

for the joint buying. We are also modifying the coop merchandise policy for widening coop's merchandise assortment according to their new needs even though we have developed the coop branded products upto nearly 10,000 items.

Multi-polarization of members' needs is common phenomena to every society as cooperation of members are widened including highly-aged people as well as younger generations, lower income people as well as middle class one and those who put his stress on his individuality and identity different from others living in and enjoying for the mass production-consumption society.

Anyway it is important for the consumer cooperative to adapt its policy according to the needs of the contemporary consumers and, if possible, to the needs which might come in near future.

Employees' Purpose-oriented behaviour and their loyalty

Employees or staffs of the cooperative is the key person to the success and development of its operation. They buy merchandise from manufacturers and wholesalers for their members, and they operate stores and serve members. They spend expenditures and get net earnings for the coop. Management is for decision-making and for controlling overall operation according to their policies. Real daily operation is done by the power and hand of staff of cooperatives.

To have good personnel is important, however, you have to make good personnel from your existing staffs. Moreover, it is necessary to upgrade the abilities of existing all staffs irrespective of their position and role in the coop. First of all, an employee has to know what the coop is and what the coop's aims and policies are. Management should show them these things clearly and its uniqueness and characteristics to every staff in the coop. Employees' involvement to their organization's policy and its implementation is important to the coop's success.

In Japanese society, employees' involvement to their company's policy and its implementation seems as very common phenomena. They could know their positions better and contribute better to their company's ends. Both merits and demerits may exist here in these systems. However, it is a big merit for the coop to have employees' active involvement and participation because the coop is not profit-oriented and it is the institution of the consumers and for them.

In Japan, every consumer coop gives lectures about the cooperative to its new comers as staff and in due course of time accordingly set up several curricula for them to know better about the coop and to get their abilities elevated. We disclose our operational results to the staff and organize staff's discussion meeting in establishing new year's policies and a budget. We reflect their opinions as possible as we can in the final decision making.

This procedure is simultaneously carried out with the discussion among consumer members. Finally ofcourse, these are to be discussed and determined in the coop's annual meeting.

In Japan, we have not yet established a coop school or a college attached to the movement, however, we have supplemented such activities by having various training courses for the staff both at national and primary levels. It is necessary for the Japanese coop to get and foster more highly qualified and skilled employees as our activities are more diversified and we have more bigger and wider operation of store networks.

JCCU will make a coop school or a training center in conjunction with big coop societies. And also to give incentives to employees is an important factor to get them more active and purpose-oriented.

It is true, in Japan, as basement we apply a seniority system that means work longer get more accordingly. However, we are going to introduce a new wage system according to position and role and result estimation wages and qualification by examinations.

In Asia, social systems diversify country to country and there exist many barriers which hinder the horizontal communication and even sitting together sometimes between employees. However, let's improve and break such social boundaries as everybody equal as human beings and especially in the field of cooperative society.

Store Operation and Its Efficiency

In Japan, we have nearly 2,400 coop stores operating in the residential areas and in the institutions like factories, offices, schools and universities. There composition is nearly fifty to fifty. Sizes of the stores in the residential areas are as follows:

<u>Sales Area</u> (sq.meters)	<u>No. of Stores</u>	<u>Sales Amount</u> (Yen.million)
- 500	752 (65.6%)	240,549 (32.3%)
500 - 1500	289 (25.2%)	288,560 (38.7%)
1500 -	105 (9.2%)	216,610 (29.0%)
<hr/>		
Total	1,140	745,719
<hr/>		

It shows more than half are small and medium sized stores (65.6%) and bigger ones only occupy 9.2%.

Breakdown of the sales according to the departments are as follows:

Food/Perishables

Vegetable & fruit	8.9 %
Fish	10.5 %
Meat	11.3%
Milk & delicacies	15.0 %
Others	1.7 %

Grocery

Cereals	5.7 %
Cakes & cookies	6.2 %
General food	15.7 %
Liquor	1.0 %
Others	1.3 %

Sub-total	77.3 %

Non-Food

General	13.0 %
Book	0.1 %
Clothing	4.4 %
Others	3.8%

Sub-total	21.3%

Others

Rest.& coffee shop	0.1 %
Others	1.3 %

Sub-total	1.4 %

Total 100.0 %

This shows almost of our coop stores deal with food stuff mainly.

In order to meet with the members needs, we have to open both super markets (SM) and bigger super markets (Super super market) with big range of non-food items in the operation. The co-purchasing (Home/HAN delivery system) and catalogue sales also should be promoted.

The concept of SM is generally the one with roughly around 800 - 1500 sq. meters in sales are having in-store processing for perishables and SSM is over 1500 sq.meters with many presentations of non-food items.

The operational strategy for store-network expansion in combination with several types depends upon the operational area's situation like population in the future, income of the people, competition with other market and of course upon coop society's ability.

In case, the store comes to a stage of declining in its life cycle and also big changes in its surroundings happens to occur, it is necessary to take the measure of rebuilding, that is to scrap and to build. However, there exist members who come to the store everyday. Therefore, it is better for the coop to take the procedure like building and then scrapping.

In some cooperatives they are operating chains of small convenience type of stores which have less than 30 sq. meters of sales area. It needs high-level techniques and systems which sustain such operations.

Upto 1990, it is estimated that 322 new shopping centres are to be open all over Japan. Coops also have to approach such a new concept of operation which makes new commercial zone in harmony with private merchants and offers even pleasures in shopping to coop members.

In order to develop our network of stores, firstly we have to acquire know-hows for opening good stores and educate personnel according to operational manuals, and secondly we have to realize efficiency in distribution like with small amounts of wide-ranged items, just-in-time and short lead-time. and of course, to upgrade the merchandising level and power is essential as we have to come in more strongly in the fields of non-food business. We have set up several operational criteria for stores according to the volume of annual sales as models.

In Asian countries, most cooperatives have only one store respectively. It seems to me as necessary and realistic that you have to strengthen your operations reviewing from all the aspects and improve the weakness to attract more member customers. And then, step by step, you had better open second store with the help of successful first one. Ofcourse in some developed cooperatives, target-oriented operations are now important.

Cooperative stores should be unique in their operations in terms of merchandising (COOP branded merchandise), prices, services and others. It is entirely upto themanagement's efforts, I dare say.

Customers' Rights and Cooperatives

The consumer cooperative is a kind of tool for consumers to safeguard

their life especially seeking for safety goods as possible. It is important for management and buyers to be aware of presenting safety and free from polluted or harmful goods to consumers. In the modern society, a mass-production and mass-consumption system begets pollution and harmful merchandise to human-beings. Unnecessary preservatives and coloring ingredients are often found in the merchandise.

We need alternatives for our survival, therefore, JCCU developed lots of COOP branded goods which have unique characters like without unnecessary ingredients, colorings and so on based upon the opinions of the broad mass of members.

Members have been taking initiatives in knowing and investigating the procedure of manufacturing and proposing their alternative opinion to the producers. COOP branded merchandise is so to say developed by the hand of members by themselves.

In this producer dominated society, it is important to promote consumers' rights positively. Therefore, the consumer coops should be the core of consumers movement in terms of getting safer goods for consumers.

It is necessary to have a dialogue between consumer representatives (coop people) and manufacturers to get safer goods and consumer oriented production.

To widen consumers rights it is necessary to have joint actions with other consumer organizations to make the consumer's voice stronger and influential.

I dare say Asian people are destined to have more pains of suffering from pollution and damages by the defect of merchandise as Asian countries are rapidly industrialized than before. The cooperatives in Asia should keep in mind of this and take appropriate measure for solving these problems.

Closing

I only reported a few important points of our movement in order to get our cooperatives stronger and developed. Of course, there are lots of topics we have to discuss. Among them, the establishment of our future plan or medium and long-term plan is most important. In Japan, we are now finishing the 4th three-year plan and will establish the new three-year plan with prospect in the century of 2000.

I hope I could report about the new plan at the 14th ICA Consumer Subcommittee meeting for Asia to be held in April 1989 in Tokyo.

APPENDIX VII

FUTURE STRATEGY FOR CONSUMER COOP DEVELOPMENT

By

Peter Chan

NTUC FairPrice Cooperative, Singapore

1. INTRODUCTION

1.1 Brief History of Singapore Cooperative movement

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

With the Cooperative Societies Ordinance enacted, 34 public spirited men got together to form the Singapore Government Servants' Cooperative Thrift and Loan Society Ltd., which was registered on 7 October 1925. Hence the movement was started as a result of the spontaneous response of the people then - the people who felt the pressing need to help themselves to overcome the financial problems they were running into.

The cooperatives were, therefore, initiated with the thrift and credit activities. Today, the credit cooperatives still form the bulk of the movement in Singapore (29 thrift and loan cooperatives out of the 59 cooperatives in Singapore).

By 1960, there were 104 cooperatives with 37,844 members and a paid-up capital of \$ 13.2 million.

The most significant development of Singapore Cooperative movement happened in 1970s when the first cooperative supermarket was set up by the labour movement against a background of rampant world-wide inflation which spread to Singapore as well. The National Trades Union Congress (NTUC) decided then that it was time to act on the resolutions passed at the 1969

“Modernisation of the Trade Union Movement” Seminar where workers endorsed the proposals to set up a consumer cooperative, an insurance cooperative, etc. These ventures were meant to provide for more economic and social benefits to the workers by allowing them a stake in the economy of Singapore.

Within a span of nine years, from 1970 to 1976, 13 cooperatives were established by the NTUC and its affiliated unions. This resulted in a tremendous upsurge in membership and created a significant impact on the daily lives of the workers and population at large.

Today there are 59 registered cooperative societies in Singapore, with a total personal membership of over 300,000 and a paid up capital of over \$ 111 million.

1.2 Consumer Cooperatives in Singapore

The significant development of the consumer cooperative movement in Singapore was the launching of cooperative ventures by the Singapore National Trades Union Congress (NTUC) and its affiliated unions in the 1970s.

The Singapore Industrial Labour Organization (SILO) Multi-purpose Cooperative and the Pioneer Industries’ Employees Union (PIEU) Multi-purpose Cooperative were registered in November 1971 and August 1972 respectively. NTUC Welcome Consumers’ Cooperative (NTUC Welcome) which was registered in March 1973, set up the first cooperative supermarket in 1973.

Since the 1970s, the consumer cooperatives set up more supermarkets to check profiteering, hoarding and adulteration of basic essential consumer goods so as to protect and benefit the man-in-the-street.

In July 1981, SILO Multi-purpose Cooperative absorbed PIEU Cooperative to form the Singapore Employees Cooperative (SEC).

1.3 NTUC Fairprice Cooperative: An Example of a Consumer Cooperative

1.3.1 History

As NTUC Welcome and SEC shared the same objective of controlling inflation and moderating the cost of living in Singapore, it was only logical that the two cooperatives merged to form a single, enlarged cooperative so as to operate more effectively and efficiently. It is against this background that NTUC Fairprice Cooperative was formed on 1st May 1983, i.e. through the merger of NTUC Welcome and SEC.

At the time of merger, NTUC Welcome operated 15 supermarkets, while

SEC operated 18 supermarkets. In addition, SEC also operated 2 self-service coffee shops, 4 Home Appliances showrooms and a printing workshop. All these came under the operation of NTUC Fairprice from 1st May 1983.

1.3.2 Policy /Objective

The policy of NTUC Fairprice is to keep prices low and fair, hence its name "FAIRPRICE". NTUC Fairprice aims to achieve this policy by setting low profit margins for its products and going for high volume.

As stated in the by-laws of FairPrice, the cooperative's primary objective is to contribute towards a reduction in the cost of living in Singapore. Nevertheless, FairPrice still needs to achieve sufficient profits so as to be able to pay dividends and rebates to its shareholders (members), and also so as to provide a source of funds for its growth.

1.3.3 Performance

Performance of FairPrice for the Financial Year ending 31.3.88

<u>Total Sales</u> (from Supermarket and Department stores and other divisions)	SS 329,545,000
--	----------------

<u>Net Profit</u> *Net profit was 2.8% higher as compared to \$17,462,000 in the previous year.	SS 17,958,000
--	---------------

<u>Total Sales</u>	(SS 329,545,000)
--------------------	------------------

<u>Division/Section</u>	<u>Percentage of Total Sales</u>
Supermarket/Deptt.Stores	92%
Rice trading	6%
Trading -Others	1%
Others	1%

	100%

1.3.4 Business Activities

Supermarket/Department Stores

* 35 Supermarkets/Department stores located mainly in the Housing & Development Board (HDB) estates.

- * Average size of outlet is 950 sq.meters (the largest outlet is 3,000 sq.meters and the smallest is 250 sq. meters)

Purchasing Division

- * Imports rice and a fair range of products, including canned and frozen food from various countries. These are in turn supplied to the cooperative's supermarkets and sold to wholesalers and other retailers (including about 1,200 provision shops).

Coffee Shops

Self-service coffee shops located near the Singapore Bus Service bus termini.

Printing Workshop

- * Provides printing services to both the unions and commercial clients.
- * Caters to the cooperative's own printing requirements

1.3.5 Membership Structure and Benefits

Membership Structure

FairPrice has 3 categories of members:

1. Founder Member - which is the National Trades Union Congress (NTUC)
2. Institutional Members - Institutional membership is open only to trade unions or cooperatives in Singapore.
3. Personal Members - Personal membership is open only to:
 - i. Members of the Institutional members, or
 - ii. Members of trade unions affiliated to the NTUC, or
 - iii. Trustees or Directors, or
 - iv. Members or employees of organizations approved by NTUC and the Registrar of Cooperative Societies.

The minimum shareholdings required to be held are as follows:

- Founder Member	100,000 @ S\$1
- Institutional Members	5,000 @ S\$1
- Personal Members	20 @ S\$1

As at 31st July, 1988, the membership composition is as follows:

<u>Type of Member</u>	<u>No.</u>	<u>% of *Total shares</u>
Founder Member	1	1%
Institutional Members	74	55%
Personal Members	112,500	44%

*The total share capital stands at \$19.43 million.

Membership benefits

1. Rebates

As Fairprice is a cooperative, the rationale for payment of rebates to members is to share the net surplus or profits of the cooperative among members in proportion to the volume of purchases made by members at FairPrice supermarkets.

The cooperative implemented its computerized rebate system on 1st April 1984:

The rebate payments for the past three years:

<u>Year</u>	<u>Rate of rebate Payment</u>
1985/86	6%
1986/87	8%
1987/88	8%

2. Dividends

Members are paid dividend on their shares.

The dividend payments for the past three years:

<u>Year</u>	<u>Rate of dividend payment</u>
1985/86	8%
1986/87	10%
1987/88	10%

3. Loans

Attractive low-interest loans are provided to members to purchase home appliances, furniture, and other items from major showrooms in Singapore.

4. Sponsorship

Funds are set aside by FairPrice to sponsor activities organized by the Founder Member and Institutional members.

5. Study Grants for Member's Children

In July 1988, study grants worth a total of S\$200,000 were awarded to children of needy members to help pay for their education from primary upto University level.

1.4 **Reasons for the Growth of NTUC FairPrice**

1.4.1 **Sound Business Policy**

FairPrice concentrates its efforts on supermarkets/ department stores business-92% of its sales turnover comes from this core business. The cooperative is cautious in diversifying and expanding its other business. As a result of this cautious approach its performance was not affected by the 1985 economic recession as consumptions of basic necessities sold by supermarkets do not see drastic decline even during an economic downturn.

1.4.2 **Effective Management**

The cooperative is run by full-time professional staff. It is headed by a General Manager and his management team. This group of experienced full-time staff enables the cooperative to be managed efficiently and ensures that it can compete effectively with other commercially-run retail organizations.

1.4.3 **Convenient Location of Retail outlets**

FairPrice has a network of 35 supermarkets/department stores strategically located in government housing estates which house 85% of Singapore's total population. Convenient location is one of the strong built-in advantages of Fairprice outlets.

1.4.4 **Responsible Pricing Policy**

FairPrice has established itself as the price leader in the market. Its fair-price policy and giving consumers better deals have ensured customer loyalty and patronage.

1.4.5 **Service Excellence**

It is the **Corporate Objective** of the Cooperative to provide high-quality services to customers and staff have been trained by various in-house courses and

public relations courses and service programmes to achieve this. The service philosophy of Fairprice includes:

- * No customer, no job.
- * Provide quality products at a price & high-quality services.
- * Treat customers as you would like to be treated.
- * Satisfy customers' needs.
- * Total customer satisfaction.

1.4.6 On-going Renovation and Upgrading Programmes

FairPrice has an on-going renovation programme to upgrade all stores. In 1987/88, nine supermarkets were renovated at a total cost of S\$2.2 million to improve the stores' shopping environment and ambience.

1.4.7 High Productivity in Operation

	<u>Sales Per Employee</u> per month S\$	<u>Sales per sq. meter</u> per month S\$
1985/86	15,323	572
1986/87	15,859	685
1987/88	17,239	789

The above productivity ratios have shown improvements during the last 3 years.

1.4.8 Good Customer Relations

a) Give customers better deal whenever possible

In line with its efforts of giving customers a better deal, over 60 products (food and non-food) were introduced under the brand name, 'NTUC FairPrice'. These housebrand products are of comparable quality to that of popular brands but are lower priced. There are plans to increase the range over time. The cooperative also features in the major newspapers over 20 products every week at attractively low prices.

b) Good Feedback Systems

1. Consumer Panel

In September 1987, the Cooperative launched the Fair Price Consumer Panel to enable its customers to provide feedback to the cooperative on a regular basis. To date, 160 regular customers who are mainly Fairprice members are on

the Panel.

ii. Other Channels of Feedback

Other channels of feedback include a Consumer Hotline in the Head Office, Suggestion boxes, printed consumer feedback forms, etc.

c) Other Factors for Success

- i. Payment through NETS systems
- ii. Sales of bus stamps, car parking coupons
- iii. Lottery Betting counters
- iv. Express Lane
- v. Trolley pick-up points.

1.4.9 Training and Development

Training and development of staff in the cooperative is entrenched as a management philosophy. In 1988/89, total commitment for training of staff amounts to S\$500,000 with 1,550 places for training, implying that almost every staff in the cooperative has a chance to be trained as the average staff strength of the cooperative stands at 1,593 in March, 1988

1.4.10 Good Communication System with Customers

a. Publication

FairPrice jointly publishes a bi-monthly magazine (called 'Lifestyle') with the NTUC Club to update customers and union members on "FairPrice happenings", the leisure and fashion scenes, etc. Money-saving 'Cut & Save' offers and contests (with attractive prizes) are also featured in every issue.

b. Weekly Advertisements

Every week, over 20 offer products are advertised in the major newspapers. The weekly advertisements also publicize major promotions and community service projects of the cooperative.

c. In-store Announcements

The cooperative tied up with Rediffusion, the local broadcasting station to produce quality entertainment tapes which carry messages on the cooperative's promotional activities, community service projects, suppliers' new products/services, etc. These tapes are being played by all the 35 outlets daily.

1.4.11 Community Service

The cooperative has undertaken many community service projects as its contribution to the needy and to enhance its image as a caring organization. Two notable projects are:

a) Used Textbooks Project

Since 1983, the cooperative has undertaken the "Used Textbooks Project" every year whereby used textbooks are collected from the public and subsequently distributed free of charge to needy students.

To date, a total of over 200,000 books have been collected and distributed under this on-going annual project.

b) 'Heartstrings Buys' Programme

In September 1988, FairPrice launched a 'Heartstrings Buys' project to help the Community Chest of Singapore to raise S\$200,000 for over 65,000 beneficiaries from 30 charities through the sales of 28 products at its outlets during a 3-week period.

1.5 Strategies to Strengthen the Present Position

1.5.1 Increase market-share

It is the cooperative's policy of setting up at least one supermarket in each housing estate whenever a suitable site is available and if it is successful in the tender of the site. The expanded network of outlets would lead to an increase in market share.

1.5.2 Make Its Presence Felt

Besides opening new outlets to serve as many Singaporeans as possible, the cooperative has launched a Franchise Scheme in June 1987 to make its presence felt in locations not served by a Fairprice supermarket. Under the scheme, the franchisees enjoy various benefits such as better prices and credit facility for goods purchased, advertising and promotion support, etc. To date, 30 franchise shops operating under the trade-name 'NTUC-Minimart' have allowed more Singaporeans to benefit from value-for-money purchases as the advertised weekly offers of FairPrice are also available at all franchise shops at advertised offer prices. The cooperative is extending the scheme to cover more provision shops and minimarts.

1.5.3 Strive for Better Costs

To remain competitive in prices, the cooperative has to continually

secure better cost prices so as to be able to offer fair prices to consumers and remain as the price-leader.

1.5.4 Progressive Retail Organization

FairPrice aims to be the leading progressive retail organization by being, e.g. the pioneer in introducing bar-coding or teleshopping.

1.5.5 Diversify Into Other Business

Diversification into other profitable business areas would enable FairPrice to generate funds to finance the growth of its primary supermarket business. The cooperative is now reviewing various diversification possibilities to invest its surplus funds so as to get better returns as compared to the present returns on investments in fixed deposits, stocks and shares, etc.

1.5.10 Buy Product Marketing Rights

For consumer products with proven sales records and suitable for local consumption, it would be profitable for the co-operative to buy up exclusive marketing rights for these products as it has its supermarkets and franchise shops as its ready distribution outlets.

APPENDIX VIII

THE CONSUMER COMMITTEE OF THE INTERNATIONAL COOPERATIVE ALLIANCE A CONSUMER POLICY PROGRAMME

PREFACE

The ideas which form the basis of cooperative theory originated in Rochdale; and since then consumer cooperatives have watched over the interests of consumers in many ways. They have done this by supplying pure goods free of additives, by selling at fair prices, by providing consumers with information, by promoting consumer education, by efficient marketing, by date marking and by serving the interests of a growing number of consumer members.

This Consumer Programme aims at adding to the initiatives that have already been made in many cooperatives.

The Programme can be regarded as listing some options for cooperatives. Each organization can find inspiration in the subjects discussed; and then plunge into the preparation of its own local or national consumer programme, adapted to its own conditions. How to arrive at priorities for different activities is a matter that must be decided by each organization, taking account of its own circumstances.

The Consumer Committee hopes that this Consumer Programme will be of benefit and use for the ICA-member organization, and that it will contribute to improving the situation of consumers through initiatives in the cooperative movement all over the world.

The consumer programme will be forwarded to all members of the ICA. The consumer committee intends to supplement the consumer programme by regular preparations of action programmes.

The Chairman of the consumer committee will make a report on activities in relation to the consumer programme at the annual members' meeting and the consumer programme will be revised each 4th year at the Members' meeting in connection with the ICA Congress.

I. INTRODUCTION

A. The need for Consumer Protection

The Consumer Committee of the International Cooperative Alliance has in many years' work tackled a variety of problems related to the protection of

the consumer. It was in the year 1969 that the ICA adopted an International Declaration of Consumer Rights. The International Cooperative Alliance declared that consumers have a right to:

1. A reasonable standard of nutrition, clothing and housing.
2. Adequate standards of safety and a healthy environment free from pollution.
3. Access to unadulterated merchandise at fair prices and with reasonable variety and choice.
4. Access to relevant information on goods and services and to education on consumer topics.
5. Influence in economic life and democratic participation in its control.

A reevaluation of the work of the Consumer committee in 1979 resulted in the setting up of a Working Programme for the committee with the following objects:

- a. To initiate discussion on the crucial problems of cooperative consumer policy.
- b. To communicate information to both ICA members and to organizations outside the cooperative movement. The committee must extensively contribute to the spread of information on consumer matters, and advise in connection with establishment of new cooperative consumer organizations.
- c. To collaborate with the governmental and non-governmental agencies for consumer affairs, i.e. dealing with the problems and interests of consumers, particularly with consumer protection.
- d. To collaborate with other appropriate ICA committees.
- e. To represent on behalf of the ICA cooperative consumer interests to other International cooperative or non-cooperative organizations.
- f. To collect information about the consumer policy initiatives of the ICA members' organization.
- g. To publish information and the results of the work of the Committee via the "Co-op Consumers" or with use of other efficient means.

Consumer protection has a very important bearing on economic and social development as well as on the health, safety and welfare and the quality of life of peoples of all countries. This makes extensive collaboration in the field of consumer protection important in promoting economic and social development in both developing and industrialized countries. There is a need for closer

collaboration in the expansion of consumer protection: as by increased contacts through exchange visits, better comcations, and more exchange of publications. Collaboration in initiatives to increase consumer influence can contribute to world wide social and economic welfare. The efforts of the consumer committee need to be directed to the framing of principles for the improvement of the situation of consumers in both developing and industrialized countries. The starting point lies in cooperative principles and the ideas of the Rochdale Pioneers who developed their own consumer programme to remedy the social and economic injustices of 19th century western industrial society. Many of the problems which cooperators had to faced in Western Europe a hundred years ago can be found in developing countries today. Cooperative principles are as relevant in these countries for ensuring social and economic justice as for promoting the protection of consumers. An awareness of a need for consumer protection is thus strongest in those developing countries which have made some progress with industrialization. In these areas campaigns for consumer protection have started with safety for the consumer and the improvement of social welfare. The first consumer protection legislation has usually been designed to require manufacturers or retailers to give information about their products, to ensure that information about quality and standards is accurate and to prevent misleading advertising. Consumer protection legislation and policy have usually been concerned first with health, with food products and with environmental questions. Product safety, the maintenance of quality, marketing methods, consumer complaints were considered later.

B) A Turning Point

Consumer protection is inadequate in both developing and industrialized countries. There is a need for new consumer protection legislation in both and in developing countries also a need to enforce existing legislation; but there is moreover a need for the further development of consumers' cooperatives so that the interests of consumers can be served more effectively. Consumer protection in industrialized countries has been made increasingly topical by developments such as the energy crisis and falls in the rate of increase in production. Alternative patterns of consumption has been debated due to these developments. The pollution of the environment may seriously affect living standards. Moreover poisoning or other damage to the environment could last several generations. Decisions on the environment and economic and social policy will be decisive for the future of mankind. There are clashes and conflicts of interest and profound differences of opinion that divide peoples; but it is of vital importance that democracies should develop policies about which people can agree. Consumers generally wish to maintain and extend state welfare but often feel somewhat helpless in the face of bureaucracy and technology.

In recent years, there has been a growing recognition in both developing and industrialized countries of the material needs of consumers. This helps to create the right conditions for increased consultation with professional and

industrial organizations- and organizations such as the cooperative movement. Consumer organizations are likely to have an increasingly important role in developing policies which will serve the interest of consumers. A Consumer Programme needs to include the extension of consumer protection as an objective and also practical measures for realizing this objective.

C) **Cooperative Responsibility**

All can agree that the basic needs of all sections of society, and particularly those of the lower income groups, should be satisfied as far as may be possible. Cooperators can contribute to this objective by increasing their efficiency in production, distribution and trade and so serving the consumer interest more effectively. This can be helped by encouraging the formation of new cooperatives and strengthening existing ones. Cooperatives have a certain responsibility for improving the living standards of consumers and it can be argued that they should not only provide goods and services but also concern themselves with other aspects of life.

Cooperatives should take an active interest in the promotion of consumer and environmental protection.

Cooperatives should collaborate with other consumer organizations, with governments, with the UN and its agencies and with other organizations in promoting the interests of consumers.

II **.PROPOSALS FOR ACTION**

1. **The Right to Health and Safety**

A) Analysis

Consumers have a right to high quality goods that do not endanger health and to safe services. If quality falls below what consumers are accustomed to expect action is needed: and here there is much difference between developing and industrialized countries.

In developing countries consumer goods are often scarce and choice limited. Lack of local industry enables multi-nationals to dominate the market for some products and limit supply and choice. This tends to raise prices and to make it more difficult for the authorities to enforce standards.

In many countries standards have not yet been developed to control the quality of products and consumers' cooperatives and other consumer organizations are often weak. Quality suffers even though some products are supplied by or through state organizations.

In industrial countries, the problems are different. There is a flood of different brands and product sizes which may not always be easily comparable by the consumer. Cut throat competition tends to have an adverse effect upon quality as producers are tempted to economize in a way that may endanger health or safety. It may be difficult too for large scale producers to adapt quickly to changes in demand and introduce improvements. In industrialized countries, limited legislation usually require certain minimum standards but many developing countries have not yet set up effective institutions for maintaining standards. In cooperatives commitment to product quality and safety is of major importance.

B) Options for Action

1. To ensure a minimum degree of product safety. Products must not be dangerous even though they may not meet certain needs of the handicapped or the elderly or of children.
2. Products should normally carry instructions for use with warnings of the dangers of misuse.
3. Food products should be date marked so as to show the customer the latest date for sale or consumption; and labelling should indicate the durability of other products.
4. Cooperative food products should be labelled with ingredients and any additives names; and such informative labelling should be generally promoted.
5. Manufacturers should be required to have their products tested and analyzed before they are marketed so as to ensure that minimum standards are observed.
6. Cooperatives should introduce minimum standards of safety for products sold in cooperative stores and promote the voluntary observance of safety standards.
7. Cooperatives should undertake to recall any hazardous products and withdraw them from shops. Manufacturers or importers should be required to cover the cost of recall.
8. Consumers should be warned of any risks with hazardous products as by informative labelling or in the cooperative press.
9. A cooperative information system or centre should provide information on hazardous products and prevent hazardous products being sold in developing countries where safety standards are lower.
10. Cooperatives should exercise effectively quality control over the prod-

ucts they distribute according to specifications ensuring high quality.

11. Cooperatives should improve national and international collaboration in the field of product safety as by exchange of information, improving safety standards, etc.

C) Options for Action in Developing Countries

1. Cooperatives should use pictures to provide instructions for use so as to reach illiterate consumers.

2. Cooperatives should promote consumer protection in matters such as nutritious food, hazardous products and instructions for use.

3. Cooperatives should establish and apply rules to ensure the health and safety of consumers; as by applying ISO standards and collaborating with other consumer organizations, bearing in mind that health and safety may be more easily endangered in developing than in other countries.

4. Cooperatives should set up a body to ensure that the products sold by them do not endanger health or safety.

5. Cooperatives should take initiatives to reject import of products which by law in the exporting country have been declared hazardous and have been prohibited for sale in that country.

2. **The Right to be Informed**

A) Analysis

Cooperatives in industrialized countries do not always give their customers the kind of information they need through informative labelling. Too much information may confuse the consumer. In developing countries consumer information is more limited and consumers may be more dependent upon the information provided by manufacturers and distributors. Children and young people can easily be misled by such information which may not be objective. When products are complicated and competition not very effective, consumers may have difficulty in obtaining the kind of information needed for a wise choice. Manufacturers and distributors have a strong incentive and capacity to manipulate consumer preference for their own purpose. Consumers may be persuaded to buy products that they would reject if they were better informed. Cooperatives have a particular responsibility to ensure that the information they provide meets consumer needs.

B) Options for Action

Cooperatives have the responsibility of providing their members and

other consumers with various kinds of information such as:

1. The range of products: information of what brands, products, models, etc. are available.
2. Information on the differences between various brands, models, etc. so as to help consumer choice.
3. Unit pricing: price per kilo or per litre.
4. Background information on market trends and prices.
5. Information to help household budgeting.
6. Information on the work of cooperative laboratories and test kitchens.
7. Information of the kind of products required to meet certain specific needs.
8. Information on quality, quantity, price and use in clear terms.
9. Providing consumers with information on the cost of credit- for example hire purchase terms.
10. The establishment of a Code for truth in advertising, perhaps based on the ICA Code adopted by the ICA Press Committee (appendix 1).
11. The promotion of fair trading through adequate information and choice.
12. To include information on contents and ingredients on food labelling, intake of vitamins, etc.
13. The provision of consumer information and background information on matters such as credit sales, door to door selling and energy saving.

C) Options for Action in Developing Countries

1. Consumer information for children and young people on meeting basic needs, and especially consumer information designed for illiterate.
2. Information on product design to meet local needs.
3. Information about how to spend wisely, as on a nutritious and well balanced diet.
4. Information on basic human needs.

3. **The Right to a Rational Choice**

A) Analysis

Conventional economic theory claims that a rational consumer should be fully aware of all goods available on the market; and that she or he knows about variations in quality and price, to help her or him to make a wise choice. In practice consumers have no chance of acquiring all relevant information or of protecting themselves against failure of performance or delivery, unsafe products, etc. The poor, the old, the less educated, children, etc. are particularly in need of protection.

In developing countries consumers ask for a sufficient supply and variety of products and services at competitive prices. Variety implies some labour intensive products and some using little energy to produce, some of high nutritional value, etc. The right to choice implies economic protection and compensation for defective products.

B) Options for Action

1. Cooperatives should include in their assortments a sufficient variety of goods for choice without too many similar products.
2. Cooperatives should inform about energy consumption in products offered for sale and be aware of energy consumption when buying goods.
3. Hire purchases and other contracts should not mislead consumers.
4. Consumers should be protected against the abuse of door to door and mail order selling.
5. The consumers should be provided with sufficient information to make an economical and rational choice.
6. The poor, the less educated, the handicapped, the old and children should receive special protection.
7. There should be full compensation for defective products.
8. There should be comprehensive regulations about product liability.
9. Cooperatives should use their bargaining power in the defence of the consumer in the face of the growing power of multi-nationals.

C) Options for Action in Developing Countries

1. Cooperatives should ensure an adequate supply of basic essentials.

2. They should advise consumers on wise spending.
3. Cooperatives should not try to tempt consumers to an over-consumption by promoting sales on credit.
4. **The Right to Representation and Participation**

A) Analysis

In most countries consumers have little chance of influencing policy through consumer representation on official boards and public bodies. It is much commoner for the producer interest to be represented. There are many reasons for this and the obstacles to consumer representation and participation in political decision making seem to be particularly strong in developing countries. One reason for this situation is that producers are usually better organized than consumers and have more financial support. Moreover it is difficult for consumers to agree about the consumer interest: the interests of poor consumers differ from those of the rich. But consumer representation is important on both the national and on the international level if the consumer interest is to be taken into account in policy making. In most industrialized countries, a variety of bodies have been set up to deal with consumer problems; but in developing countries official or independent bodies to represent consumers are few. In some areas consumers cooperatives develop bodies to watch over the consumer interest. Consumer representation needs to be strengthened at the national and international levels. Local, national and regional consumer organizations must have the opportunity to make their views known. One of the functions of the ICA Consumer Committee is to represent the consumer interests at the international level, as with the ISO, the UN and its agencies etc. Consumers cooperatives need to insist on being recognized as genuine consumer organizations which can add important arguments to debates on consumer questions which may not need to be put forward by other consumer organizations.

B) Options for Action

1. The setting up of bodies to elaborate, coordinate and implement consumer policies - such as offices in Ministries, Departments and Councils and consumer divisions in consumers cooperatives.
2. Consumer participation in policy making bodies concerned with consumer protection- for example within consumers cooperatives should be promoted.
3. The promotion of participation by consumer organization in bodies concerned with matters relevant to the consumer interest such as bodies concerned with the control of inflation, price control, trade agreements, trade practices, environmental programmes, etc.

4. The promotion of collaboration between non-governmental organizations concerned with consumer protection: such as consumer councils, consumer test organizations, standards institutes, consumer ombudsman and consumer complaint boards.
5. Cooperatives should provide financial resources for consumer lobbying, research costs, etc.
6. The organizations of consumer panels by consumers' cooperatives to reflect member opinion.

C) Options for Action in Developing Countries

1. Collaboration with cooperatives in industrialized countries so as to benefit from their experiences.
2. Consumer representation on all bodies concerned with consumer questions.
3. Measures to ensure that individual members can make their views known through cooperatives.

5. **The Right to Recourse and Redress**

A) Analysis

Consumers are frequently dissatisfied with their purchases- as by poor performance. In some countries consumers are able to secure recourse and redress through an official Complaints Board. Without such a body consumers, particularly those that are poor, find themselves helpless and unable to secure redress or recourse.

Even when there is a complaints board, there may be many geographical, economic or social barriers to redress. Vulnerable consumers often need help with legal costs which may exceed the cost of the thing complained of. Cooperatives have an important role in bringing redress to consumers and should always have a special complaints procedure.

B) Options for Action

1. The establishment of an institution to deal with complaints such as an official Complaints Board and a Consumer Advice Centre by cooperatives.
2. The provision of a well informed service by cooperatives to deal with complaints so as to provide rapid redress.

3. Make it easy for consumers to demand redress or to sue retailers or producers about defective products.
4. The encouragement of collective proceedings by consumers against manufacturers or retailers who are selling dangerous products.
5. The establishment of standards for product liability going beyond legal requirements.

C) Options particularly for Developing Countries

1. Cooperatives should secure that consumers are aware of their rights to recourse and redress through official and cooperative complaints board.

III THE INSTITUTIONAL FRAMEWORK

A) Many different kinds of institutions are set up to deal with consumer problems and serve the consumer interests. These are some of the institutions that can be set up by cooperatives or other organizations:

Cooperative Complaints Board, Consumer Boards, Consumer Panels, Consumer Advisers, Shop Committees, Central Laboratories, Test Kitchens, Cooperative Consumer Councils.

B) On the international level consumers' interests are promoted through many different organizations which work for a development of collaboration between cooperative organizations. Some of the most important organizations are the following:

i. United Nations (and its specialized agencies, regional commissions and international non-governmental organizations work to improve conditions of consumers often in collaboration with cooperatives).

ii. International Standards Organization (ISO) - (work for a worldwide standardization of the most important consumer goods).

Consumer political view points are discussed in sub-groups called:

- a. Copolco (the ISO Council Committee on Consumer Policy), and
- b. IEC (International Electro-Technical Commission).

iii. Organization for Economic Collaboration and Development (OECD).

iv. EEC (European Economic Communities):

- a. CCC (The Consultative Consumer Committee)

- b. Euro Coop (European Community of Consumer Cooperatives in the EEC).**
- v. Council of Europe.**
- vi. Nordic Council (A special department for consumer affairs).**
- vii. IOCU (International Organization of Consumers Unions)**
- viii. ICA Consumer Committee.**

APPENDIX IX

ICA REGIONAL WORKSHOP ON EVOLVING AN APPROPRIATE STRATEGY FOR THE PROMOTION AND DEVELOPMENT OF EFFECTIVE AND SOUND CONSUMER COOPERATIVE MOVEMENTS

Malaysia - 05-09 December 1988

PROGRAMME

05 Dec 1988

- 10.00 Inauguration of the Workshop
- 11.00 Introduction of Participants & Brief on the methodology of the workshop.
-Group Formation
- 11.30 Overall Cooperative Development Situation in the Asian Region
Mr.G.K.Sharma, Regional Director, ICA ROA
- 12.30 Lunch Break
- 14.00 Presentation of Country Papers
- 15.30 Tea Break
- 15.45 Presentation of Country Papers cont.
- 17.00 Close

06 Dec 1988

- 09.00 Assessment of Current situation of Consumer Cooperative movements
in the Asian Region and Identification of problems. Group Discussions.
- 10.30 Coffee Break
- 11.00 Group Discussions continued
- 12.30 Lunch Break

14.00 Group Discussions continued.

15.30 Tea Break

15.45 Group Discussions continued.

17.00 Close

07 Dec 1988

09.00 Plenary on the assessment of Current situation of the Consumers Cooperative movements in the Asian Region and the Identification of problems.

10.30 Coffee Break

11.00 Overall Strategy of the ICA for the Development of Consumer Cooperatives in the Asian Region- W U Herath, Project Advisor, ICA ROA.

11.45 Consumerism- Mr.Bishan Singh Bahadur of FOMCA (Federation of Malaysian Consumer Associations).

12.30 Lunch Break

13.30 Consumerism - contd.

14.00 Cooperative Retailing - Mr.Andrew Areas, Education & Training Officer, International Organization of Consumer Unions(IOCU), Regional Office for Asia and Pacific, Penang (Malaysia)

15.30 Tea Break.

15.45 Future strategy for Consumer Cooperative Development.
Presentations from:

- Japan (Mr.M.Ohya, Executive Director, JCCU)

- Singapore (Mr.Peter Chan, Marketing Services Manager,NTUC FairPrice Cooperative)

- India (Mr.M.K.Zutshi, Managing Director, National Coop Consumers Federation of India (NCCF))

17.00 Close

08 Dec 1988

09.00 Group Discussion on the overall strategy for Development of Consumer Cooperatives.

- 10.30 Coffee Break
- 11.00 Group Discussion continued.
- 12.30 Lunch Break
- 14.00 Preparation of Group reports.
- 15.30 Tea Break
- 15.45 Plenary Session.
- 16.30 Adoption of Conclusions & Recommendations and closing.

09 Dec 1988

- 09.00 Field Study Visits.

1. KOMART - Sentol Pasar, Kuala Lumpur
2. PROKOP - Kuala Lumpur.

APPENDIX X

**LIST OF MEMBERS OF THE ICA REGIONAL
WORKSHOP ON EVOLVING AN APPROPRIATE
STRATEGY FOR THE PROMOTION AND
DEVELOPMENT OF EFFECTIVE AND SOUND
CONSUMER COOPERATIVE MOVEMENTS
05-09 DECEMBER 1988 -
KUALA LUMPUR (MALAYSIA)**

<u>Sl.No.</u>	<u>Country</u>	<u>Name, Position & Organisation with Address & Telephone No.</u>
1.	Bangladesh	Mr.Mohd.Shahidullah General Secretary Bangladesh Jatiya Samabaya Union 9/D Motijheel Commercial Area Dhaka-2, Bangladesh (Phone: 231697)
2.	Bangladesh	Mrs.Ashrafun Mosharaf Chairman Mirpur Central Women Coop Society Ltd 77, Sha Alibag, P O Bisil Darga Mirpur, Dhaka, Bangladesh.
3.	India	Mr.M.K.Zutshi Managing Director National Coop Consumers Federation of India Ltd, 3, Siri Institutional Area Khel Gaon Marg, New Delhi 110 016-India
4.	Japan	Mr.Toshio Kawata Manager of Planning Peoples' Cooperative, Kanagawa 2-5-11, Shin-Yokohama, Kohoku-ku, Kanagawa-ken-Japan (Phone: 045-472-7975)
5.	Japan	Mr.Susumu Ohta Int'l Relations Officer, Japanese Consumers Cooperative Union, 4-1-73, Sendagaya, Shibuya-ku, Tokyo (Japan) Tel. 03 (497)9103

6. Japan Mr.M.Ohya
Executive Director
Japanese Consumers Cooperative Union
4-1-13, Sendagaya
Shibuya-ku, Tokyo (Japan)
7. Japan Mr.Hiroko Tabata
Director
Japanese Consumers Cooperative Union
Home: F067, Sapporo Japan
Chuoku S16 To 19 1-1-103
Tel. (011)551-7725
8. Japan Mr.Yamagashi
Japanese Consumers Cooperative Union
4-1-13, Sendagaya, Shibuya-ku
Tokyo (Japan)
9. South Korea Mr.Kyu Seok Kim
Dy.General Manager
Coop Chainstore Department
National Agricultural Coop Federation
15-19, 2-Ka, Hangkong-ro
Youngsan-ku, Seoul (Rep of Korea)
10. South Korea Mr.Ho Kyum Lee
Assistant Director
Int'l Cooperative Division
National Agricultural Coop Federation
75,1-ka, Chungjeong-ro
chong-ku, Seoul (Rep of Korea)
11. Thailand Ms.Ampawan Vadanathorn
Committee member, Pranakorn Coop Store
31/1 Suenblu Sathothai Road
Bangkok 10120, Thailand
(Tel.286-2023)
12. Malaysia Dato'Hamzah Haji Yatim, DSNS,JP
Chairman, Kampong Engor Consumer Coop.
Res.Kampong Engor, Air Mawang,
Pos Johol
73100 Johol (Malaysia)
(Tel.06-729393)

13. Malaysia Sheikh Abdul Kadir bin Ahmed, SMJ, PIS
Chairman, Johore Coop Supermarket BHD.
Vice Chairman, ANGKASA Consumer Func
tional Group, Vice Chairman, Johore Coop
Industrial Development Bhd.
Res. No.14, Jalan Dapat
80100 Johor Baharu, Johor, Malaysia
Tel. 07-233472?222841/229054
14. Malaysia Mr.Mohd.Tahir bin Mohd.Hassan
Senior Supermarket Manager
Malaysian Cooperative Supermarket Scty
C/o.Malaysian Coop South East Asia Hotel
Building, No.69, Jalan Haji Hussein
50200 Kuala Lumpur (Malaysia)
Tel. 03-2986032/2988437 (O)03-422749 (R)
15. Malaysia Mr.Mohd.Hanafiah bin Abdul Rahim @Hanif
Senior Executive
Malaysian Cooperative Consumer Society
130E, Jalan Tambi Abdullah
Off Jalan Sambanathan
50740 Kuala Lumpur Tel.2746711

Res.559D, Tingkat 4, Block 2
Flat Sri Pahang, Bukit Bangsar
59000 Kuala Lumpur (Tel.2551993)
16. Philippines Mr.Emilio P.Dilan
President/Chairman
Metro Manila Fed of Consumers Coops
(MMFECCO)
Director, Central Bout of the Philippine
Employees Consumers Coop, Manila
83T, Mascardo St.Pryeet 4,
Quezon City, Philippines.
17. Singapore Chan Teck Chwee (Peter)
Marketing Services Manager
NTUC Fairprice Cooperative
680 Upper Thomson Road
Singapore 2567
Tel. 4560233-729 (Off)

Apt Blk 249, Hongang Ave.3
#10-402 (Singapore 1953) Tel.2870417

18. Sri Lanka Mr.M.D.Siripala
Chairman
Sri Jayawardenepure Multi-purpose Coop
55, Church Street, Nugegoda, Sri Lanka
Tel.552236
- Res. 11/1, Sri Nagavihara Road
Pagoda Nugegoda, Sri Lanka
Tel.556904
19. Sri Lanka Mr.S.A.Dissaneyaka
Director
National Cooperative Council of
Sri Lanka, 455 Galle Road
Colombo-3 (Sri Lanka)
Tel.585496
20. ICA ROA Mr.G.K.Sharma
Regional Director-ICA ROA
43 Friends Colony, New Delh-India
21. ICA ROA Mr.W.U.Herath
Project Advisor
ICA Regional office for Asia
New Delhi.

APPENDIX XI

LIST OF MEMBERS OF THE ICA SUB-COMMITTEE ON CONSUMER COOPERATION FOR ASIA

Bangladesh

1. Mr.Mohd.Shahidullah
General Secretary
Bangladesh Jatiya Samabaya Union
9/D Motijheel Commercial Area
Dhaka-2 (Bangladesh)
2. Mrs.Feroja Mohsin
Director, BJSU
address as above.

India*

3. Mr.M.K.Zutshi
Managing Director
National Coop Consumers Fedn of India
3 Siri Institutional Area
New Delhi 110 016

Indonesia

No nominations received

Japan

4. Mr.M.Ohya **Chairman**
Executive Director
Japanese Consumers Coop Union
4-1-13, Sendagaya, Shibuya-ku
Tokyo (Japan)
5. Mr.K.Okayasu
Managing Director
National Fedn of University Coops Associations
Daigaku Seikyo Kaikan Bldg
5-41-18, Chuo, Nakano-ku
Tokyo (Japan)

Rep.of Korea**

6. Mr.Soo Il Lee
Research Department
National Agricultural Cooperative Federation
75, 1-Ka, Chungjongro
Chung-ku, Seoul (Rep of Korea)
7. Mr.Kim Kyu Seok
Research Department
National Agricultural Coop Fedn/Seoul

Malaysia

8. Dato' Hamzah Haji Yatim
C/o. ANGKASA
No.2,4 & 6, Jalan 222
Peti Surat 368
46740 Petaling Jaya (Malaysia)
9. Mr.Tuan Haji Sallehudin bin Abdul Ghani
C/o. Angkasa - address as above.

Philippines

10. Mr.Filomeno A.Bautista, Jr.
Chairman of CUP Consumer Committee
PPC Employees Credit Coop Inc.
Philippine Packaging Corpn
Bugo, Cagyan de Oro City
Philippines.
11. Mr.Emilio P.Dilan
C/o. Cooperative Union of the Philippines
CUP Bldg., Alajandro Recess Ave.
Corner Mother Ignacia Stt.
Quezon City (Philippines)

Singapore

12. Mr.Lim Ho Seng
General Manager
NTUC Fairprice Cooperative Ltd
680 Upper Thomson Road
Singapore 2678

Sri Lanka

13. Mr.D.E.Pathirana
Chairman, Mahanuwara Multipurpose Coop Society Ltd
15, Kumara Vidiya, Kandy, Sri Lanka
14. Mr.M.G.S.Jayaratne
President, Nuwara-Eliya MPCS Ltd
& Vice President, National Cooperative Council of
Sri Lanka, 455 Galle Road
Colombo-3 (Sri Lanka)

Thailand***

14. Col.Surin Cholpraserd **Vice Chairman**
President, Consumers Coop Fedn of Thailand
C/o. Cooperative Promotion Department
Krung Kasem Road, Theves
Bangkok 10200 (Thailand)
15. Mr.Snith Chittaporn
Vice President, CCFT, Bangkok
Address as above.

ICA ROA

W U Herath

Secretary

- * At the time of publication of this report, Mr.A.Bhattacharjya is the Managing Director of National Cooperative Consumers Federation of India and member from India to the Sub-Committee
- ** Mr.Han Kyu Choi is the current member from Republic of Korea in in the Sub-committee at the time of publication.
- *** Col.Surin Cholepraserd has been recently elected at the Chairman of the Cooperative League of Thailand (CLT)